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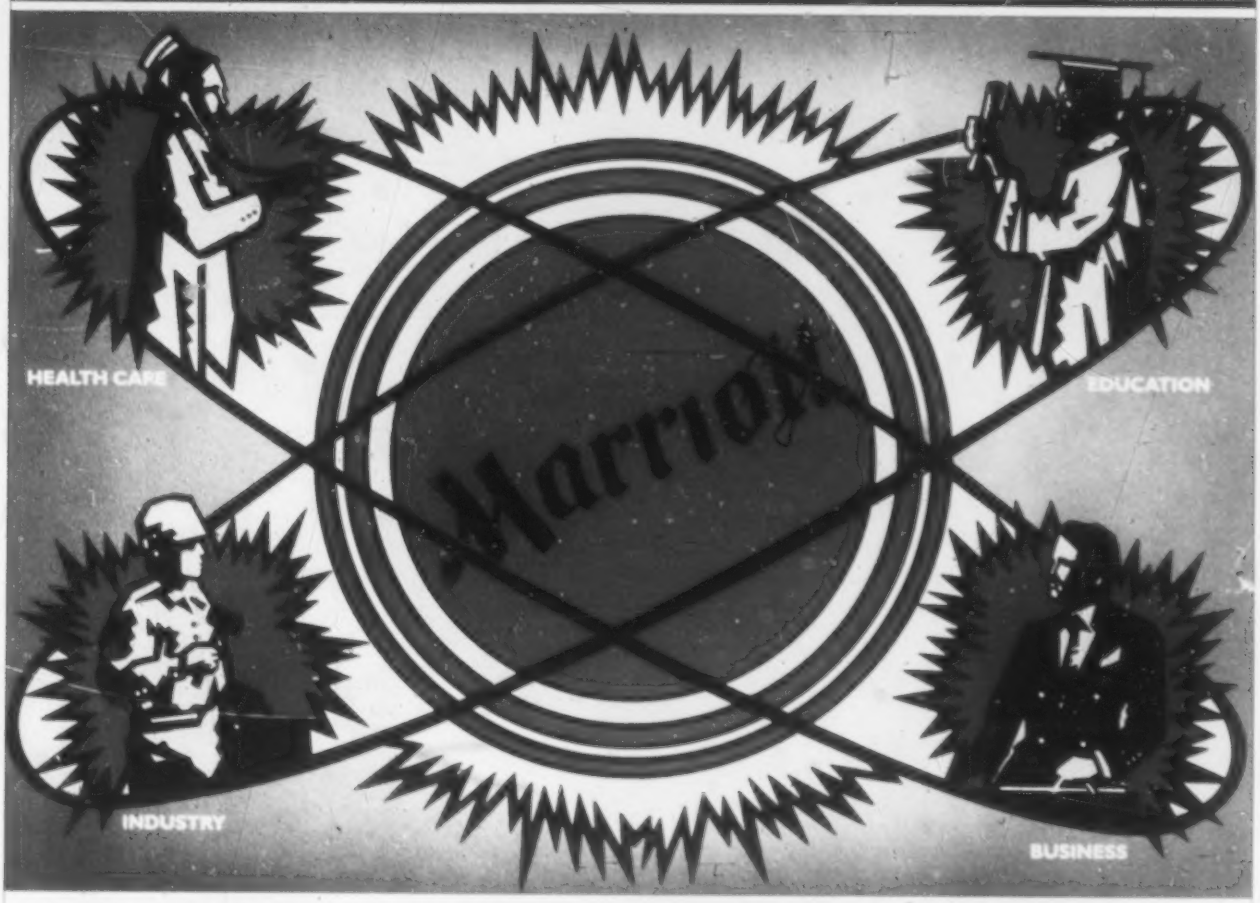
MARKET SEGMENT REPORT/**BREAKFAST** PAGE 189

Restaurant Business

A BILL PUBLICATION

FEBRUARY 10 1988



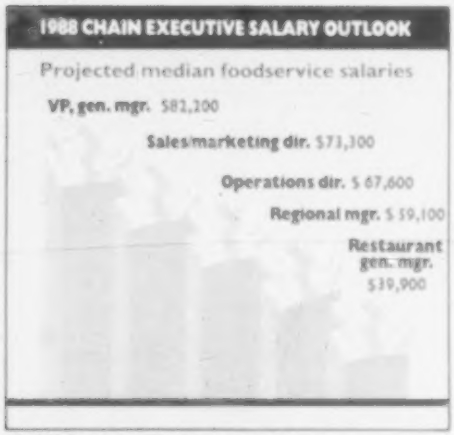
MARRIOTT TAPS SERVICE SYNERGY

IMMIGRATION LAW UPDATE/THE IMPACT IS NOW BEING FELT
THE RAX ATTACK/FAST FOOD WITH STYLE
INDEPENDENT CLOSE-UP/HOGANS HIDEAWAY GETS ON THE MAP
SUBLIME SANDWICHES/MENU IDEAS FROM THE RB TEST KITCHEN
TIP EXEMPTION/CALIFORNIA FIGHTS FOR WHAT IT'S WON

BUSINESS BAROMETER

The Hard Facts Shaping Our Industry

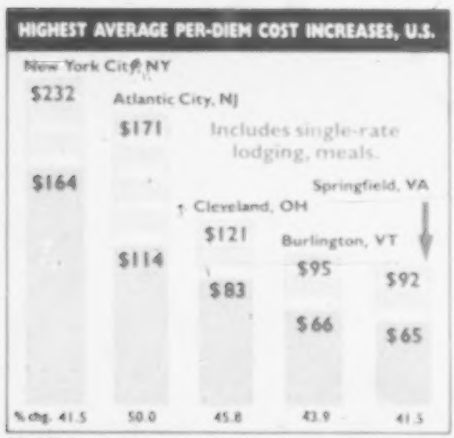
By Howard Riell


1988 CHAIN EXECUTIVE SALARY OUTLOOK
Projected median foodservice salaries
VP, gen. mgr. $82,200
Sales/marketing dir. $71,300
Operations dir. $ 67,600
Regional mgr. $ 59,100
Restaurant gen. mgr. $39,900

SOURCE: Roth Young 1988 U.S. Salary Outlook Survey

Who'll Be Earning How Much This Year

In all, professional-level salaries throughout this labor-intensive industry are expected to rise this year by just 5% to 6% above 1987 levels, according to New York-based Roth Young Personnel Service Inc. Primary among the reasons for the relatively moderate increases, says Roth Young, is employers' attempts to maintain profit margins while faced with increased competition. Yet on the other hand, the company adds, employers are also resigned to paying "whatever the traffic bears" to attract and retain highly skilled unit managers who are capable of hiring, training, and motivating their employees.



SOURCE: Runzheimer Meal-Lodging Cost Index

Where Business Travel Prices Are Zooming

"Many larger industrial centers of the North have undergone an economic resurgence during the past five years," says Judith Godshalk, project manager of the Runzheimer Meal-Lodging Cost Index. However, "the rush to the Sun Belt by the business community leveled off." In fact, while per diem business costs in northern cities like New York and Atlantic City have soared, they have actually decreased 7.3% in Oklahoma City, OK—from $69 in 1982 to just $64 today. Of the 100 cities costed in the Runzheimer Index, 56 northern locations rose an average of 27.7% in per diem rates from 1982 to 1987; the 44 southern cities rose just 19.5%.

FACTORS THAT BUILD LOYALTY
Better tasting food 38%
Convenience of location 17%
Better food quality 21%
No reason given 7%
Close to residence 17%

SOURCE: Power Marketing Quarterly

What Keeps Consumers Coming Back For More?

There is, perhaps, no more treasured yet elusive commodity in fast food than brand loyalty. But what inspires it? According to a Power Marketing Quarterly survey, taste and perceived quality head the list, followed by location, PMQ says. At least a quarter of fast-food diners questioned said they visited the same restaurant for 10 years or more. A third said they never switched loyalties. Only 11% reported changing loyalties in the last year. Perhaps predictably, the survey found that those aged 18 to 24 tended to be less loyal than those aged 35 to 49. The less loyal patrons are also likely to be single and from two-income households.

Restaurant Business

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Cover Story

CONTRACT FEEDER **MARRIOTT CORP.** *Thanks to a period of growth through acquisition, Bethesda, MD-based Marriott Corp. has become the number one contract feeder in the nation. With sales from its Food and Services Management operations approaching $3 billion in 1987, Marriott is using its newfound clout to structure growth by offering a portfolio of services* 165

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Cover Illustration by Chris Spollen.

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Profit from human weakness

It's easy to boost impulse sales of high profit items with Silver King's Counter Top Merchandisers. Call your dealer today and ask for our new "Money-Making Ideas" brochure.

SILVER KING

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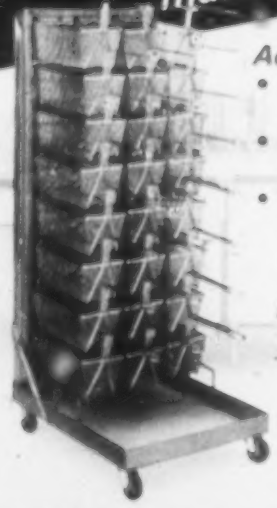
BASKET RACK

When time and quality make a difference



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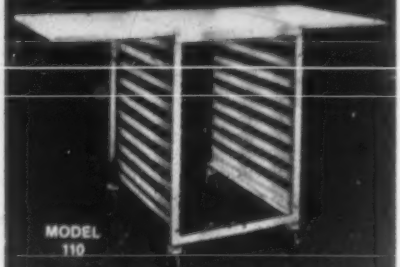
STAINLESS STEEL
KITCHEN HELPERS
Extend existing workspace during peak preparation periods

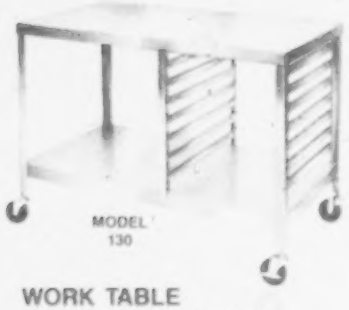


MODEL 110

WING TABLES
- Wings open - you have tuck-away ongoashness
- Holding space for (16) 10"x26" pans

MODEL 715

MACHINE STANDS
- Conserve valuable counter space
- Roll out of way for easy clean up
- Adjustable feet models available
- Brake casters hold stand firmly in place



MODEL 130

WORK TABLE
- Plenty of space for more food preparation
- Storage for ingredients / finished products
- Brake casters hold table firmly in place

Write for complete information and specifications.

LAKESIDE MANUFACTURING INC.
1977 SOUTH ALLIS STREET MILWAUKEE, WI 53207-0912
(414) 481-3900

For information circle number 188

TRADE QUOTES

FOUR WEEKS ENDED FRIDAY, JANUARY 15, 1988

E X C H		PRICES 52-WEEK RANGE HI	LOW	1 YEAR AGO	CLOSE 01/15/87	4 WEEK NET CHNG.	4 WEEK PCT CHNG.	EARNINGS LATEST 12 MONTHS	P/E RATIO
O	AM RESTAURANTS	2 3/4	1/2	2	1/2	0	0.00		
N	AMFAC, INC	40 3/4	18 3/4	24 11/16	33	+ 1/4	+0.76	325	
O	ARDEN INTL	2 7/16	15/16	1 13/16	1 3/16	0	0.00	7	16.1
A	ARK RESTAUR	5 1/2	1 3/4	4 1/2	2 1/4	+ 1/4	+12.50	15	11.3
G	ASSOC HOSTS	11 3/4	6 3/4	8 3/16	8 7/16	1/8	-1.41	18	17.1
O	BENIHANA NATL	6 7/16	2	6 3/16	2 7/16	+ 1/4	+11.76	92	
O	BOB EVANS FARMS	21 13/16	13 3/4	16 5/8	15 1/2	1/4	-1.59	90	18.2
O	BOMBAY PALACE	8 1/2	3	6 1/4	3 3/4	+ 1/2	+15.38	14	13.9
N	BROCK HOTEL	11 7/16	4 3/16	9 7/16	5	+ 1/4	+5.26	13	
O	BUFFETS INC	25 1/2	11 3/4	12 3/4	15 1/4	+ 1/4	+1.67	19	33.9
O	BYERS INC	7/16	3/16	7/16	1/4	- 1/16	-13.64	20	
O	CALMY INC	12 3/16	7 15/16	7 15/16	10 3/4	+ 1/8	+1.15	158	
O	CAPT CRAB	1 3/16	1/4	5/8	5/8	+ 1/8	+56.00	47	17.2
N	CH FULL O NUT	9 3/4	5 7/16	9 3/8	6 3/16	3/8	-5.69	29	21.7
O	CHEFS INTL	1/2	1/16	1/4	1/8	0	0.00	65	
O	CHICKS	9 1/4	6 1/2	7 1/4	8	+ 1/2	+6.67	529	
O	CHILIS INC	36	18 11/16	26 1/4	20	- 1/4	-1.23	126	16.3
N	CHURCHS FR CK	14 11/16	5	12 3/16	6 15/16	+ 3/16	+1.93	310	27.5
N	COLLINS FOODS	23 1/2	10 3/16	19 7/16	12	5/16	-1.07	148	10.6
A	COLORADO PRIME	15	6 15/16	9 11/16	9 11/16	3/8	-3.70	42	10.6
O	CONSOL FOODS	6 1/4	3 1/4	3 11/16	6 1/4	+1 1/8	+21.85	58	7.9
O	CONSOL REST	2 3/16	1	1 15/16	1 3/16	+ 3/16	+15.00	64	
O	CRACKER BARREL	20 3/4	12 3/4	15	17	+ 3/4	+4.62	62	16.8
O	CRESCOTT INC	5 1/4	1 7/16	3 9/16	1 15/16	+ 7/16	+25.33	37	
O	DUNKIN DONUTS	32	19 1/2	29 3/4	24 1/4	1	3.96	177	13.5
O	EL CHICO	6	3	4 3/4	3	1/4	7.69	34	
O	EL POLLO ASA	7 3/16	1 3/16	7 3/16	1 3/4	+ 1/4	+17.36	77	
O	FAMILY STEAK HO	10 3/16	3 3/16	4 11/16	3 15/16	0	0.00	89	32.3
O	FAMOUS REST	3 15/16	1 3/4	2 1/16	1 15/16	+ 3/8	+3.67	22	
O	FAST FOOD OPER	1/2	1/8	3/8	3/16	0	0.00	2	
N	FOODMAKER	14 3/4	5 3/4	9 7/16	9 7/16	1/4	2.60	42	7.8
A	FRISCHS	45	27 11/16	37 3/16	39 3/16	+1 3/16	+2.97	16	62.1
O	FST MATL CP O	2 1/4	1	1 5/16	1 3/16	0	0.00	1	
O	FUDDRUCKERS INC	3 1/16	3/4	2		+ 1/16	+6.82	115	
N	GENERAL MILLS	62 3/16	40 3/4	45 5/8	49 3/16	7/8	1.74	1380	17.4
N	GREYHOUND CORP	46	19 1/4	33	26 3/4	+ 1/4	+0.94	412	6.4
O	HAMBO HAMLET	8 1/4	4	5	8	0	0.00	3	22.9
A	HARD ROCK	16 3/4	5 3/16	5 1/2	5 1/2	1/2	8.33	15	12.2
N	HERSHEY FOODS	57 3/4	29 3/4	36 3/4	54 1/4	1 3/4	6.75	1451	15.2
N	HILTON HOTELS	91 3/4	55	70 3/4	73 1/2	+3 3/8	+4.81	307	17.1
N	HOLIDAY INNS	57	11 11/16	24 11/16	24 11/16	- 1 3/8	-5.27	558	3.9
A	HORN HARDART	16 3/4	5 1/2	14 3/4	9 11/16	- 1 1/4	-11.49	270	6.6
N	INTL MULTIFOODS	39 3/4	22 1/2	26	27 1/2	1 1/4	4.35	255	6.2
O	INTL DAIRY QUFE	34 1/2	25	26 9/16	22 3/4	3/4	-3.19	68	15.5
O	INTL KINGS TAB	23	11	16 3/4	16 3/4	+ 1/2	+3.08	25	29.4
O	JB RESTAURANT	7	3 7/16	6 11/16	4 11/16	+ 3/4	+19.33	176	
O	JERRICO INC	25 7/16	12 7/16	19 15/16	14	+ 3/8	+2.71	154	11.8
O	KARCHER CARL	21 11/16	10 11/16	11	14 1/4	3/16	0.90	403	
N	LUBYS CAFE	32 15/16	20	27 1/2	24 1/4	3/4	-3.00	52	17.8
O	MARCUS CORP	18 3/4	11 1/2	14 1/4	13 3/4	3/4	-5.17	5	11.2
N	MARRIOTT CORP	43 3/4	25	32	29 1/4	1/4	0.85	245	18.1
O	MAVERICK REST	1 7/16	7/16	1 3/16	7/16	1/4	33.33	27	
O	MAX ERMAS	2 3/4	1 1/4	1 5/8	2	+ 3/4	+10.50	1	11.8
O	MC FADDIN VENT	2 7/16	1/4	2 5/16	7/16	+ 1/8	+22.58	2	
N	MCDONALDS CP	61 3/16	31 7/16	44	44 15/16	1/4	0.55	2371	16.1
O	MERIT INT	6 1/2	1 3/16	1 1/2	1 3/4	+ 1/4	+16.67	5	29.2
A	MORGANS FOOD	3 7/16	1 15/16	2 1/8	1 1/2	+ 1/8	+8.70	15	15.0

EXCH: N = New York Exchange, A = American Exchange, O = Over the Counter

BIGGEST GAINERS

STOCK	4 WEEK PCT CHNG	4 WEEK NET CHNG	CLOSE 01/15/87
STOKES	+70.00	+1	6
CRESCOTT INC	+21.83	+1 1/8	6 1/4
HILTON HOTELS	+22.12	+ 1/4	1 7/16
RANCHO MEX BUFF	+22.58	+ 1/8	7/16
EL CHICO	+25.33	+ 7/16	1 15/16
TAC PESO	+28.97	+2 1/2	11 3/16
R J REYNOLDS	+31.50	+ 11/16	2 11/16
ALLEGHENY BEV	+31.58	+ 1/8	1/2
CHICKS	+36.00	+ 1/8	3/8
WSTK STEER	+50.00	+ 1/16	1/8

BIGGEST LOSERS

STOCK	4 WEEK PCT CHNG	4 WEEK NET CHNG	CLOSE 01/15/87
SEA GALLEY	-54.00	- 1/16	1/16
KATL PIZZA	-59.68	- 1/4	7/16
BROCK HOTEL	-18.18	- 1/2	2 1/4
WENDYS INTL	-16.67	-2 1/2	12 1/2
RESORTS INTL A	-15.79	- 3/4	4
SWENSENS INC	-13.64	- 1/16	7/16
CH FULL O NUT	-13.64	- 1/16	1/4
TACO VIVA	-13.67	- 1/16	4
LIFESTYLE REST	-11.49	- 1 1/4	9 11/16
TWISTEE TREAT	-8.40	- 1 7/8	20 7/16

TRADE QUOTES

FOUR WEEKS ENDED FRIDAY, JANUARY 15, 1988

E X C H		PRICES							EARNINGS	
		52 WEEK RANGE HI	 LOW	1 YEAR AGO	CLOSE 01/15/87	4 WEEK NET CHNG	4 WEEK PCT CHNG	LATEST 12	P/E RATIO
O	MORRISON INC	24 1/8	15 9/16	18 3/16	18	0	0.00	174	15.4
O	NATL PIZZA	18 11/16	8 3/4	17 7/16	10 1/2	+ 1/2	+5.00	43	11.8
N	OGDEN CORP	44 11/16	17 1/2	24 7/16	27 3/16	- 1 7/8	-6.45	500	8.4
O	OLD FASHION FOOD	6 1/4	4 1/4	5	4 3/4	0	0.00		17.0
O	OLD SPAG WRKHSE	9 1/4	4 1/2	4 3/4	6 1/2	+ 1/4	+4.00	2	9.4
O	PANCHO MEX BUFF	15 3/4	7 3/16	13 7/8	8 1/4	- 15/16	-7.09	57	13.5
O	PANTERAS CP	15 1/4	4 1/4	6 1/4	6 1/2	- 7/16	-5.52	482	
N	PEPSICO	42 1/4	20 1/2	30 1/8	34 3/16	+ 1/4	+0.74	3016	15.9
N	PERKIN TAM	12 3/4	7 7/16	11 7/16	10 11/16	+ 3/4	+7.59	45	13.8
O	PICCADILLY CAF	25 3/4	11 1/2	21	12 3/4	- 1/4	-1.92	21	15.1
N	PILLSBURY	48 15/16	28	38 3/4	34 1/4	- 1/4	+0.72	1692	14.1
O	POPEYES	4 11/16	1/2	3 15/16	3/4	- 13/16	-54.00	35	
N	PRIME MOTOR INNS	45 1/2	21	36 3/16	34 15/16	+3 15/16	+12.52	636	20.5
N	R J REYNOLDS	71 3/16	34 1/2	56 7/8	47 15/16	+2 3/16	+4.66	2478	10.0
N	RAMADA INNS, INC	9 3/4	4	7 1/4	6	+ 1/8	+2.04	596	23.1
O	RAX RESTAURANTS	6 3/4	2 15/16	5 3/16	3 1/4	+ 1/4	+8.33	15	
A	RESORTS INT'L A	66	11 7/16	45 1/4	13 1/4	+ 5/8	+4.91	254	
A	REST ASSOC B	18 1/4	8 15/16	9 5/8	13 3/4	0	0.00		13.8
O	REST MGMT	11	5	8 3/4	6	+1	+20.00	11	11.1
O	RESTEC	2 3/4	2 1/2	2 3/4	2 1/2	0	0.00		
O	RITZYS G D	1 3/16	7/16	1 3/16	7/16	- 1/16	-13.64	10	
O	RUBYS RESTAURAN	5 1/2	1 15/16	4 1/2	2 1/4	+ 1/4	+12.50	4	32.1
O	RYANS FAMILY	15 11/16	6 1/2	8 9/16	7	1/2	-0.67	1254	24.1
O	SANDWICH CHEF	7 1/2	3 15/16	6 7/16	4	- 11/16	-13.61	15	
A	SBARRO INC	24 3/4	10 3/16	16 1/16	15	- 3/16	-0.86	80	20.8
O	SEA GALLEY	3 1/2	1 1/4	2 1/2	1 1/2	+ 1/16	+4.17	8	
O	SERVICO INC	20 3/4	7 1/4	19 13/16	10 3/4	+ 1/4	+2.38	8	18.2
O	SHOBEYS INC	33 1/4	18 11/16	27	20 7/16	- 1 7/8	-8.40	1005	15.1
O	SHOBEYS SOUTH	15 1/2	6 3/16	14	11 3/16	+2 1/2	+28.97	386	28.5
O	SIS CP	8	1 3/4	5	2	0	0.00	5	
O	SIZZLER REST	23 1/4	11	15 1/2	16	- 1/2	-3.03	168	17.6
O	SKIPPERS	9 1/2	4 7/16	7 5/8	5	+ 1/4	+5.26	33	
O	SO HOSPITALITY	2 15/16	9/16	2 3/4	3/4	0	0.00	99	
O	SONESTA INT'L	22	11 1/4	13 3/4	12 1/2	- 2 1/2	-16.67		
N	STOKES	12 3/4	5 1/2	8 13/16	7 3/16	+ 1/2	+7.54	68	2.9
O	STUFF YER FACE	1/4	1/16	1/8	1/8	+ 1/16	+50.00	14	
O	SWENSENS INC	1 7/16	7/16	13/16	1/2	+ 1/8	+33.58	15	
O	SYBRA INC	20 1/2	10 1/2	10 3/4	18 11/16	- 3/8	-1.95	2	15.9
N	SYSCO CORP	41 1/2	22 1/2	33 1/2	29	+1 1/2	+5.45	288	21.2
O	TACO VILLA	4	2	3 1/4	2 1/4	- 1/2	-18.18	3	
O	TACO VIVA	2	1/2	1 7/8	15/16	+ 1/8	+17.39	7	
O	TORY ENTERPRISE	19 3/8	2 5/16	2 5/16	7	- 1/2	-6.67	818	15.2
N	TGI FRIDAYS	10 3/4	5 1/4	7 3/16	6 7/16	0	0.00	56	20.6
O	TOPSYS INTL	1 1/4	1/2	1 3/16	1/2	0	0.00		
O	TWISTEE TREAT	3 3/16		2 1/2	1 7/16	+ 1/4	+22.12	291	
A	TWO PESO	13 1/4	3 3/4	4	4	3/4	-15.79	19	50.0
A	UNO RESTAURANT	14 7/16	7	10 1/2	10 1/2	- 11/16	-5.66	32	25.6
A	USACAFES	10 1/2	7	9	8	- 3/16	-1.60	78	9.3
N	VALRI INC	14 11/16	4	4 1/4	9 11/16	- 1/4	-2.53	201	21.9
O	VICORP RESTAURA	13 3/4	5 1/2	10 5/8	8	- 7/16	-5.96	140	17.1
O	VIE DE FRANCE	6 1/2	3 3/16	6 3/16	4	+ 3/8	+10.19	47	
N	W. R. GRACE & CO	37 5/16	19 3/16	27	26 1/4	+1 3/4	+7.14	1616	
N	WALT DISNEY	82 1/2	41 1/4	50	60 1/2	-2 7/16	-3.88	2846	18.7
N	WENDYS INTL	13 1/4	4 3/16	10	5 3/4	- 1/2	-8.00	1294	
N	WINNERS CP	4	1 1/4	3 13/16	2 11/16	+ 11/16	+31.50	87	
O	WITH STEER	17	8 1/2	11	9 1/4	- 3/4	-7.50	11	13.8

EXCH: N = NEW YORK EXCHANGE; A = AMERICAN EXCHANGE; O = OVER THE COUNTER

MOST ACTIVE

STOCK	4 WEEK VOLUME (00's)	PCT OF SHARES (**)	CLOSE 01/15/88
WALT DISNEY	80296	2.04	60 1/2
R J REYNOLDS	79278	11.06	47 15/16
PEPSICO	70313	0.90	34 3/16
MCDONALDS CP	62551	1.58	44 15/16
PILLSBURY	55068	2.13	34 1/4
WENDYS INTL	50178	1.74	5 3/4
GENERAL MILLS	40726	1.53	49 3/16
W. R. GRACE & CO	38857	1.53	26 1/4
RYANS FAMILY	35656	2.28	7
MARRIOTT CORP	26750	0.69	29 1/4

LEAST ACTIVE (*)

STOCK	4 WEEK VOLUME (00's)	PCT OF SHARES (**)	CLOSE 01/15/88
TOPSYS INTL	9	0.04	1/2
SONESTA INT'L	18	0.02	12 1/2
PST NATL CP O	40	0.08	1 3/16
OLD FASHION FOOD	53	0.19	4 3/4
SYBRA INC	173	0.22	18 11/16
OLD SPAG WRKHSE	289	0.66	6 1/2
TACO VILLA	299	0.13	2 1/4
RUBYS RESTAURANT	312	0.30	2 1/4
MARCUS CORP	367	0.16	13 3/4
SIS CP	376	0.80	2

(*) Least active of issues that traded
(**) Percentage of outstanding shares based on average weekly volume

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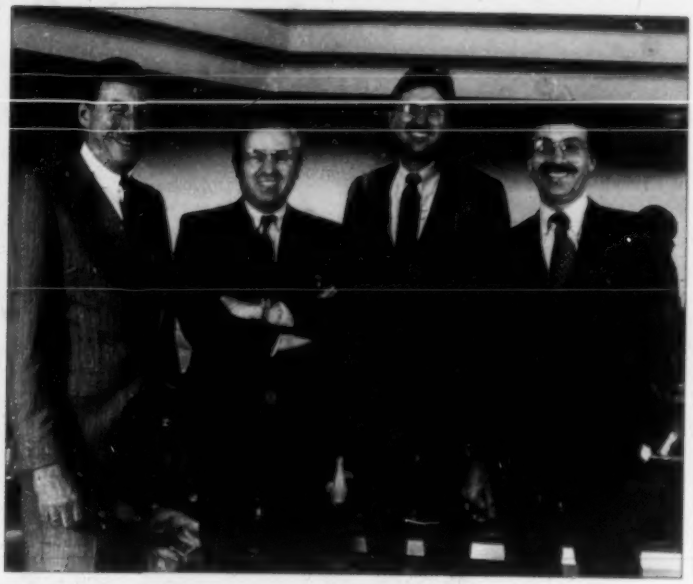
MARRIOTT TAPS SERVICE SYNERGY



PHOTOGRAPH BY RICK REINHARD, BLACK STAR

The FSM team (l. to r.): Garry C. Knox, senior v.p., Education Services; Daniel P. Howells, executive v.p., Food and Services Management; Charles D. O'Dell, senior v.p., Business Food and Auxiliary Services; Robert M. Dorfman, senior v.p., Health Care/Canadian Division.

BY HOWARD RIELL

Thanks to a period of growth through acquisition, Bethesda, MD-based Marriott Corp. has become the number one contract feeder in the nation. But the story doesn't stop there. With sales from its contract operations approaching $3 billion in 1987, Marriott is using its newfound clout to structure growth by offering a portfolio of services to clients. Through its Food Services and Management (FSM) unit, Marriott provides foodservice in B&I, health care, and education settings, and will add new emphasis on facilities maintenance services such as housekeeping and security.

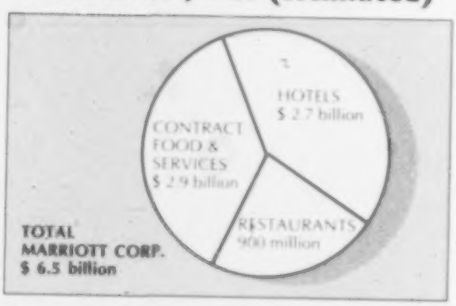
At press time, Marriott had restructured certain management functions in an effort to "consolidate line and staff support management, to give more responsibility to the field, and to bring management closer to the client." Robert Dorfman is now senior vice president of Education and Health Care; Garry Knox is now a consultant to the Education division and has become more involved in sales and account retention areas; and Bob Jantzen has taken over responsibilities for all Canadian operations.

TOP FIVE U.S. FOODSERVICE CONTRACTORS BY SALES, 1987

Marriott Corp.	$ 2.9 billion*
ARA Services	$ 2.1 billion
Canteen Corp.	$ 1.5 billion
Service America Corp.	$1.0 billion
Greyhound Food Mgmt. Inc.	$400 million

*RB Estimate

MARRIOTT SALES BY DIVISION, 1987 (estimated)



Food and Services Management

A PORTFOLIO OF GROWTH

Norb Weller, v.p., human resources.

Bob Jantzen, sales and client relations v.p.

PHOTOGRAPHY BY RICK REINHARD/BLACK STAR

Marriott Corp., the largest contract feeder in the U.S. with 1987 sales of $2.95 billion, is redefining the segment's traditional frontiers as it heads into the 21st century.

Contract operations—which include its Food and Services Management (FSM) division, plus Highway, Host, and Travel Plaza/Hot Shoppes divisions—are expanding the length and breadth of services and expertise offered in order to generate additional sales from existing and new accounts.

FSM is eclipsed only by Marriott's hotel division in terms of sales since the June 1986 merger with Saga that doubled its size and made it national in scope. FSM includes three subdivisions: Business Food and Auxiliary Services, Health care and Canadian Operations, and Education Services (see accompanying stories).

FSM had already grown substantially before the Saga deal when Marriott purchased Gladieux Corp. in January 1985 and Service Systems Corp. from R.J. Reynolds a month later. Today, of the 5.5 million meals Marriott Corp. serves every day, 2.5 million come from FSM's 2,000 accounts. Total FSM sales last year topped $2.2 billion, according to company estimates. Sales from the Host, In-flite, and Travel Plaza/Hot Shoppes divisions are broken out separately.

With accounts extending to office buildings, hospitals and other health care facilities, primary and secondary schools, colleges, airport terminals, airlines, and toll roads, Marriott has turned its marketing strength in yet another direction: ancillary services. By cross-utilizing expertise acquired through its mergers with Service Systems and Saga, Marriott plans to expand through such facilities management services as housekeeping, custodial, plant and operations maintenance, groundskeeping, security, valet services for students, and in-room, restaurant-type meal and valet service in hospitals.

The company will also make health care a major growth area, and will begin to expand its international operations beyond Canada. Another important goal: implement programs to cushion the impact of a growing labor shortage.

Overall, the period of meteoric growth through acquisition has given birth to a new era, in which business will be expanded more slowly, through prospecting of existing accounts.

SYNERGIES. Marriott's growing commitment to the services end of the business is best illustrated by FSM's recent name change, from Food Service Management to Food and Services Management. Division executive vice president Daniel P. Howells says he expects facilities management sales to eventually rival foodservice.

"We believe facilities management has tremendous potential," says Howells, "and we're pressing very heavily into that area. There is a great synergy between the businesses; the same client base that we have on the foodservice side is the client base that we can service from the facilities side."

Howells adds that Marriott first got into the business through the acquisition of Service Systems, which had consider-

able expertise in facilities management.

The Saga acquisition further bolstered FSM's forays into facilities management, because Saga had recently bought 20% of a small, family-run facilities management firm called Quornden. The company was headed by Graeme Crothall, considered the industry's premier operator. "We realized that if we looked at clients' needs as a package, we could provide all the services in that package," says Howells. Marriott soon bought up the remaining 80% of Quornden.

"The opportunities in facilities management are tremendous," explains Charles D. O'Dell, who oversees Crothall's operations as senior vice president of Business Food and Services. "As facilities management gets bigger, we will spin it off as a separate entity."

How big a business can facilities management become? Says Howells: "The market is equal in size to the foodservice market. We do $1.5 billion worth of business in foodservice. We think the skill bases that are required in that business are analogous to what we have in our foodservice business."

HEALTH CARE. With all three FSM divisions growing more than 10% a year, it is Health Care, at 15% annual growth, that is expected to lead the vanguard into the next century. "There is enormous cost pressure on hospitals," notes Howells. "They're searching for ways to do things more efficiently, and more are turning to contracting. And the greying of the population will lead to more acute-care and life-care facilities, an additional opportunity."

Likewise, Howells says projections of healthy growth in the education segment are based on the added marketing and cost-cutting incentives that colleges have to contract out services. Primary and secondary school sales growth will continue to surpass that of higher education, he adds.

GROWING. It was long before 1986, Howells recalls, that "Marriott realized that, to reach a national scale, we would have to make acquisitions. FSM was small—about $200 million in sales—but growing." Service Systems, with annual sales of $500 million, though East Coast-based like Marriott, "tied in very nicely with our business. But it didn't give us the kind of national presence we wanted to have." It was the buyout of Saga, whose greatest strength was in educational feeding, that catapulted Marriott to the West Coast.

Daniel P. Howells, FSM division executive v.p.

Says Howells: "Geographically, Saga was very desirable—the company had real strength in the western U.S. It was also a very nice fit culturally." In fact, half of FSM's management today is comprised of Saga executives. The buyout also doubled the size of the division.

Marriott sold Saga's restaurant division (Straw Hat Pizza, Stuart Anderson's Black Angus, Grandy's, Velvet Turtle, and Spectrum Foods) to a group of investors headed by Anwar Soliman. "We bought Saga for the FSM side of the business alone," says Howells.

Yet despite the clout created by Marriott's recent acquisitions, labor will continue to be a problem in many markets, says Howells. Norb Weller, vice president of human resources, says, "In many respects, minimum wage is a non-issue right now. But, the shrinking labor pool is one." In order to find employees, Weller's staff participates in job fairs, contacts state employment agencies, and has developed a contest designed to elicit further recruiting strategies from Marriott employees across the country.

Meanwhile, the future of the $50- to $60-billion U.S. contract feeding segment seems positive. "It's a big industry, measured in multiples of billions," says Howells. "But it is an industry that is always under pressure to produce more efficiently. We'll grow through sales rather than acquisition now." Any further deals in the near future, Howells stresses, "would be opportunistic in nature."

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Business Food and Auxiliary Services

TO THE FUTURE

Gannett towers in Washington, DC: "a showcase account."

Of the three components that comprise the Business Food and Auxiliary Services (BFAS) division—Conference Centers, Concessions, and Facilities Management—it is the latter that most fuels the collective imagination of Marriott executives.

Chuck O'Dell, the division's senior vice president, has been given the responsibility of growing Facilities Management into what is hoped will eventually be Food and Services Management's fourth full-fledged division. Facilities Management sales for 1987 were between $30 million and $40 million, and they are projected to reach as high as $65 million to $70 million this year. Business Food and Auxiliary Services in total is projected to notch a 20% increase in year-to-year sales in 1988, to $108 million.

"I agree that Facilities Management can be as big as Food and Services," says O'Dell, who joined Marriott in 1980. "The opportunities are tremendous." To help the segment realize its potential, O'Dell will work closely with Graeme Crothall, whose former company, Quornden, forms the nucleus of the subdivision. The emphasis will be primarily on education accounts and health care. O'Dell and other Marriott executives spent 18 months studying Crothall's company, as well as its industry, before deciding to acquire its remaining equity last August. Crothall has moved to Marriott's Bethesda, MD, headquarters to oversee the operation, whose regional offices are in Orange, CA, and New Castle, DE.

"The company is looking to us in the early 1990s to be a major part of this division's growth," says Crothall, now a Marriott vice president. "They made it clear to me that they are looking for us to build a large facilities management business. Over the next five years, we'll essentially build the foundations." The broad term *facilities management* will, in fact, be stretched to include new concepts like never-before-tried in-hospital valet services.

"We're the major manual foodservice provider for institutional and business clients," says Bob Jantzen, vice president in charge of sales and client relations. "Now we're going to bring housekeeping, janitorial, and custodial services to those people, and look for the cross-sell. This will occur primarily in the hospitals and colleges segment. It's new for us in terms of a major thrust.

"We've actually been in that business since 1955," Jantzen adds, "but it's always been strictly as a favor to our clients. Through our acquisitions, we picked up more pieces of business like that and all of a sudden, with the Saga merger, we took a look at it as a subsidiary. We said, 'Maybe this is our opportunity to start driving the housekeeping/plant operations/maintenance business.' And we put together the plan, and that's where we're headed now."

BUSINESS CLIENTS. But for now, and perhaps for the next few years, it is the division's traditional business clients that will occupy most of O'Dell's time. Sales from among the business segment's 1,200 accounts totaled $650 million last year, O'Dell says. They are

expected to rise to $700 million in 1988.

"The industry itself is very stable," he says. "It's a slow-growth industry, seeing only 1% to 2% annual growth. We've had tremendous growth because of our acquisitions. We never had divisional vice presidents on the West Coast before (the Saga buyout), and as a result, we now have senior executives much closer to the field. To me, that's the nature of the business."

Business customers themselves, in fact, "are more sophisticated," says O'Dell. "They understand when you come to them with proposals. They understand when you try to do something different." What this means, stresses O'Dell, is that they expect something new and different.

One of BFAS's more glamorous business accounts is the twin 30-story Gannett towers in Washington, DC. Gannett is the publisher of *USA Today*. A full 90% of the daily business there is catering meetings in the buildings' 60-plus conference rooms, according to Robert L. Bobbitt, general manager of Business Food Service. There are also four formal dining rooms, used exclusively for prearranged events.

"In this account, the client requests a certain level of food and service," says Bobbitt, "and our job is to provide it." That level of food and service is translated onto a typical Gannett menu by French-trained executive chef Jacques Bourot in the form of dishes like steamship round of beef, carved to order, with chanterelle and morel sauce; tangerine mousse with berry sauce; steamed sea scallops with dill lemon butter; duck galante a l'orange; grilled tiger shrimp; and heart-shaped toast with salmon roe caviar.

"This is a showcase account," says Bobbitt. "We are providing services for Gannett when they are showing off their corporation. The facilities are not open to the public." Marriott also services Gannett functions aboard its corporate jets on occasion. In addition, a third tower is expected to rise within the next two years.

O'Dell says he thinks the employee cafeteria end of the business has "probably cycled. What we're seeing is that cycle moving again. When the employee cafeterias first opened, they were viewed as employee benefits. Then came a change in the cycle that said, 'This is a service to our employees, and we will provide it, but not necessarily at significant reductions or with a subsidy, which is a cost to the corporation. We're seeing many of the industries across the country returning to their previous mentality, that perhaps they need to provide benefits to their workers in order to keep them.

"Business foodservice has traditionally been oriented toward contractors, not self-operations," continues O'Dell. "The segment itself is probably 75% to 80% contracted. That leaves a little group of self-operated businesses, and I think that little group's probably going to stay there."

STUDY AND PROTECT. O'Dell says the concession and conference center subdivisions are still being studied. "They're small businesses, and they can get lost in a big organization like this, so we protect them to grow them and bring them out. I keep them here, under my direction."

Sports concessions in particular, O'Dell says, are being studied carefully. Major competitors include Ogden Services, Sports Services, ARA, Canteen, Service America, and Harry M. Stevens. "Everybody's in that business; we have to make sure we still want to be there with them. I think we still have to look at that. That's why we're protecting it right now."

As for conference centers, O'Dell says, "We're the largest in the industry today. We think we've got a large share of that market, so we want to continue to protect it and grow it as big as we can."

LABOR PINCH. Like FSM's other divisions, Business Food and Auxiliary Services is scrambling to find solutions to the growing scarcity of labor. "We have to work really hard at getting and keeping good people," O'Dell says. "The critical linchpins in our business are foodservice directors and district managers. You have to have well-trained, well-motivated people in those positions. To us, that's the focus of 1988. We have to deal with the human resources issue. We can't wait until tomorrow. We have to make sure we're the employer of choice today."

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PHOTOGRAPHY: RICK REINHARD, BLACK STAR

Charles D. O'Dell, senior v.p., Business Food and Services.

Health Care and Canadian Division

HELPING HOSPITALS STAY HEALTHY

A typical health-care account: quality and cost savings.

Health care is expected to set the growth pace for Marriott's Food and Services Management division, with 1988 sales projected 15% to 20% higher than last year's $400 million.

The reason is basic: Bottom lines at hospitals and health-care facilities are under attack, and contractors can handle operations more efficiently and cost effectively than the institutions can themselves.

"Five years ago, health care was primarily a noncontract-penetrated market," says Robert M. Dorfman, senior vice president of Marriott's Health Care and Canadian division since July 1986. "It was a self-operated market, until some things started to change.

COST PRESSURES. "The government started to regulate what it was to pay in terms of funding hospitals for service," he says. "Out of that came Diagnostic Related Groups (DRGs), which means the government now pays hospitals for the specific service they offer. Hospitals were not being reimbursed to the degree they'd been accustomed to. And that has put cost pressure on them."

Add to that new constraints on hospitals' sources of funding and the overbuilding of facilities that has reduced occupancy, and it quickly becomes clear why contract feeding in this division is suddenly so attractive.

"Hospitals are looking outside for a supplier who can maintain or improve on levels of service, but maintain costs," Dorfman adds. "We've been successful in picking up a disproportionate share of that move from self-operated to contract, and we foresee that going on for several years."

The division services 350 acute-care facilities in the U.S., as well as 70 retirement and nursing homes. Dorfman, who previously headed the Business Feeding division, calls health care "much more complicated in terms of the requirements a hospital has, and the laws and regulations we're dealing with, and the clinical aspect of it. We have to add another layer of management support—dietitians and clinicians.

"There's a much more dynamic group of changes taking place than there might be in the business environment," he adds. "We are dealing, in the decision-making process, with the chief executives and presidents of hospitals. Normally, in business feeding, you'd be several layers down from the one who makes the decision. We're dealing with top levels in the hospital, and with very complex issues. And another part of it is that we're in the midst of a labor shortage, and it's going to get worse, not better." The Health Care division employs about 20,000 in the U.S. To recruit employees, Dorfman's division will depend on Marriott's recently developed strategy of canvassing field management for effective regionalized programs.

"Working on recruiting strategies and employee retention is a priority for us, as it is for the other business groups," notes Dorfman.

Marriott accepts accounts with a minimum of 5,000 admissions per year, and/or 150 beds, Dorfman says, al-

though he notes that "beds are really a meaningless number. It's like a hotel: You may have 400 rooms, but if only 10 people are sleeping there, who cares how many rooms there are?"

LAUREL/BELTSVILLE. One of the self-operated acute-care facilities taken over by Marriott is the Greater Laurel/Beltsville Hospital in Prince Georges County, MD. The 236-bed facility offered a simple frozen-food, convenience-type menu before Marriott was hired two years ago. The kitchen staff now makes all its own entrees and bakes its own cakes.

The hospital feeds 125 patients three meals a day, as well as 500 visitors a day, in its 95-seat main floor cafeteria. Menus there and for patients are rotated weekly and classified according to type of diet (calorie-controlled, low-sodium, regular). Entrees include baked flounder supreme, vegetarian lasagna, top round beef au jus, and baked cornish hen. There is also a 20-item salad bar. New menu additions include submarine sandwiches with various meat fillings. Sodium levels and calorie content are noted on the bottoms of the menus. The cafeteria records sales of about $2,800 a week on average per-person checks of $2. It does not, however, do better than break even, says foodservice director Bonnie Irvin.

"Because we are feeding people who are ill, we have to be especially careful that we practice the best cleaning techniques we can," Irvin says. "I think we are looked at almost under a microscope, as far as my staff is concerned."

NECESSARY OPTIONS. Dorfman feels foodservice "is one of the few things a patient can relate to in a hospital. Visitors have a lot to say about it also. They want the patients to have a choice." Marriott offers four types of patient menus to its accounts: standard, selective, restaurant-style, and room service. The restaurant menu, for example, is more upscale, with gourmet dishes that fall within parameters set by the physician. Acutely ill patients would not necessarily have that option.

Marriott is also expanding its Stork Club: Special candlelit, white-tablecloth dinners for new parents featuring dishes like filet mignon, lobster tail, shrimp, and scallops. "We're trying to get the parents out of the room," Dorfman says. "We try to use a small area inside the hospital to set up as a dining room; the ambience is much nicer than having it in a patient room."

Robert M. Dorfman, senior v.p., Health Care and Canadian division.

PHOTOGRAPHER: RICHARD BLAU

The additional overall service also means that nurses—whose numbers have fallen critically short in recent years—can spend less time serving food.

Marriott also offers community outreach programs and clinical programs on weight loss and management, as well as nutritional counseling. And there is a Meals on Wheels program, which delivers meals to outpatients, and a corporate health-care program, "to help the hospital gain more community public relations," Dorfman adds.

CANADIAN EXPERIMENT. "One of the things we're looking into in the next year or two is how international operations fit into FSM in general," Dorfman says. "We're using Canada as a test vehicle to determine how quickly we might make our next steps into international opportunities. When they reorganized after the Saga merger, management believed that each of the core businesses—education, health care, and business feeding—should have a business attached to it that represented a growth opportunity, an adjacent business that each business head would run.

"We've identified health care to be the predominant growth vehicle in Canada," he says, "which is a bit behind the times in terms of where the U.S. is." Each of FSM's divisions operates in Canada. Together, they tally sales of $50 million (U.S.) per year.

Dorfman says Marriott is already the largest provider of contract service to higher education in Canada, but that "we're still learning how to penetrate the business feeding market." Facilities Management is scheduled to open its first Canadian accounts this year.

The first new international market will likely be the Far East, Dorfman says, through Health Care. Europe is also tagged for expansion in the near future.

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Education Services

GEARING UP FOR THE 1990s

George Washington University: multi-concept foodservice.

Contract foodservice at this nation's colleges and primary and secondary schools is poised for major growth as the "echo baby boom" nears.

While contractors seeking to tap the college market are being increasingly well received by college directors (who view them as an added incentive to potential students), they must also put aside the once-held belief that students represent a captive audience.

They must also begin to offer students services that were until now unavailable in order to maximize market penetration. Although the children of the baby boomers will be entering their college years in the next decade, the market now is competitive.

"It's a lot tougher for colleges today than it used to be, because the number of students has declined," says Garry C. Knox, senior vice president, Education Services. "Right now, colleges are competing for a limited student pool. A lot of campuses need to look at ways to cut costs, and ways to attract more students. And I think foodservice is one way of doing that. I think we can provide marketing opportunities for campuses because we're marketing our business all the time. That's one of the things we can do today—help colleges attract students."

Attract them Marriott does: 400 of the division's 570 accounts are in colleges and universities across all 50 states. In total, Marriott feeds 800,000 college students every day. Annual sales from those accounts alone total $450 million a year. The division, including primary and secondary schools, is expected to increase sales by more than 12% this year.

TARGETING 1992. Knox, who spent 21 years in education foodservice with Saga before the merger, says that while there is plenty of room for growth among institutions of higher education, it won't come before 1992. "The mid-'60s through the mid-'70s was a period of rapid growth in the educational sector; interestingly, that's the stage health care is actually going through now. In the '80s, education has been growing, but not rapidly. Penetration of the marketplace by all contractors is still just one-tenth of 1%. There are about 5,380 colleges in the U.S. One-tenth of 1% is 33 accounts on the average over the last six or seven years that have gone to contractors."

But demographics show that beginning in 1992, Knox says, the children of the baby boomers will begin to show up on campuses en masse, fueling growth once more.

To meet the increasing demands on higher-education foodservice, Knox has designed a host of new and unique programs for resident and nonresident students, who today brandish more discretionary income then ever before, and who are also more easily bored than ever before. In addition to traditional cash discount, declining balance, and credit card programs for on-campus students, other new alternatives are being offered to them as well as to nonresident students.

BATTLING BOREDOM. "Students are out there looking," says Robert G. King, senior foodservice director for Marriott at George Washington University in Washington, DC. "They're pretty smart consumers today.

They're aware of what's going on. And they're pretty forthright; they'll let you know what they don't like." Focus groups are used on both individual account and corporate levels to find out what students want.

"The important thing is to find out what they want and give it to them," says Knox, "because if you don't, someone else will. You've got to keep up with the level of sophistication in today's consumers, which is higher than it was in the '60s and '70s because everybody's grown up with fast food. So it's important to make sure we're doing focus groups on campus to determine who that customer is and what he wants. One of the things we thought we could do a couple of years ago was regionalize our menus—make sure the South got grits, and the East Coast had fish. But we learned that our customer may not necessarily be from that area. There are a lot of schools where students come from other states. And today, of course, we're getting a lot of foreign students, especially on the West Coast. That's how you market: making sure you know who the customer is, first of all, and then developing programs to satisfy him."

The six food operations King runs offer all types of dining. Of particular interest is the university's Grand Marketplace, a mall-style collection of concepts including deli, Mexican, salad, and dessert areas. There are also four resident dining halls: 1900 F Street, offering gourmet burgers and a salad bar; Colonial Commons, with steak and special theme dinners; the Courtyard Cafe, an à la carte concept featuring deli and griddle items, pizza, snacks, and gourmet salads; and the soon-to-open Panino Villa, an Italian sandwich shop. In all, Marriott foodservice operations at the university recorded sales of about $6.7 million last year, up 8% to 10%, according to King.

"We put a lot of emphasis on selling our programs," says King, including mailers and brochures. He says he has had success with his Colonial Cash Card, which requires no out-of-pocket expenditures by students. "And if you lose it, we turn it off and safeguard your account. Students also told us they wanted more flexibility; they wanted to give it to a friend to use. So we took the photos off to make them transferable."

Garry Knox, senior v.p., Education Services.

Knox's standing policy is to employ as many students as possible, for two reasons: to have a potential source of longterm new labor, and to dispel negative conceptions that other students have about the food operations.

JW's. Another way to build existing accounts is by offering new services unrelated to foodservice. JW's is Marriott's on-campus convenience store concept, offering packaged food, video rentals, and other services to students. While JW's is not new (50 units are already in operation), it is now viewed as an expansion concept. Another 25 are due to open in time for next fall's semester. Marriott is also thinking of introducing freestanding stores to service students, as well as "personal-care" services like laundry, valet, and shoe repair. "We would make it part of the convenience store," says Knox.

As for primary and secondary schools, Knox notes that this subsegment is being penetrated by contractors three times more quickly than higher education. "The states are more amenable now to contracted foodservice," he explains. "And in many cases, school boards, not principals or superintendents, decide on contractors.

"While you can't do a whole lot in primary schools because there's a required lunch you have to give students, in secondary schools, we keep students on the campus. They're not leaving the high schools at lunchtime, which is what the superintendents and the principals want."

Marriott's 170 primary and secondary school accounts recorded sales of about $100 million last year, Knox says.

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In-Flite/Host International Divisions

A PERIOD OF ADAPTATION

Marriott in-flight: reflecting airline industry changes.

The tumultuous changes that have shaken the airline industry in recent years have left in-flight and airport terminal contract feeders scrambling to catch up.

"The airline industry is still confused," says Daniel J. Altobello, executive vice president of Marriott's In-Flite and Host International divisions. "Since the period of deregulation began in 1978, In-Flite has changed the same way the airlines have changed. People have gone from making point-to-point trips to making stop trips through various hub cities." The resultant changes have been manifold.

TURNING TO HUBS. "Hub concentration has seen several key airports, like those in Salt Lake City and Kansas City, grow tremendously in the volume of catering over what they had in pre-hub days," Altobello says. Many in-flight meals have been downgraded to snacks, which are less expensive. Cost per meal can now range from $1.25 for a snack aboard a short flight to $30 or $40 for a first-class meal on a long flight. Snacks are also easier to prepare and quicker to serve and eat on the typically shorter flights.

The additional time that passengers now spend in airport terminals has meant an increase in Host sales. Deregulation has also led to lower fares, which have increased the number of passengers but forced contractors to tighten costs. It has also meant adding multiple kitchens at several locations, such as four at New York's J.F.K. International and two at LaGuardia; four in Miami; and two each in Atlanta, Los Angeles, and San Francisco.

ON BOARD. Altobello dismisses the traditional consumer dissatisfaction with airline food in general by pointing out that "comparing airline catering and food in restaurants is an invalid comparison. In a restaurant, patrons and the kitchen are within a few feet of each other. Errors can be corrected. The product is tailor-made for the individual. In our case, we're preparing product hours in advance of the service. It's boarded into an environment that's pretty unnatural, because it's a very dry environment on an airplane. Then you're turning flight attendants—people fundamentally there to

provide safety and passenger comfort—into waiters. And you've got extremely confined space; the diner has only a few inches in which to eat. Yes, it's got to be improved, but it's not as bad as everyone thinks."

Marriott In-Flite serves 135 million meals a year on 150 airlines from 95 flight kitchens worldwide. The Host division operates food, beverage, and merchandise facilities in more than 50 airports. Altobello would not supply sales figures. Total industry in-flight sales total $1.4 billion a year, he adds.

Menu development, he says, comes primarily from the airlines themselves, although Marriott has had its executive chefs work in concert with some clients. While he calls in-flight food "not especially trendy," Altobello nonetheless says the industry has followed suit with lighter, healthier items—"less meat and potatoes, more fruit and seafood plates than regular items. Pasta is also a good dish on an airplane." The company does its own menu research for its Host locations.

The year ahead will see new In-Flite kitchens opening in Portland, OR (this month), and Phoenix, AZ. "Portland is our number one objective," Altobello says. After that, In-Flite will expand operations in England and "look to the Far East. We'll continue to have a strong presence in South America, where we have five cities, and we're in nine cities in Latin America."

Marriott's Host division, headquartered in Santa Monica, CA, "is really two businesses," Altobello says. "There are the restaurants, bars, snack bars, food courts, and other food outlets, and then there's the merchandise business: gift shops, newsstands, and specialty boutiques."

FRESH EXPRESS. Expansion of the Host concept will take place in the U.S. only, and it will follow a simple strategy. "Compete vigorously for every airport lease that expires and contain and renew as many as we currently have when they expire," reports Altobello.

Recently, the division offered to sublet 30% of its facilities at San Francisco International Airport in order to keep its $30-million-a-year account there.

Host's versatile new Fresh Express concept is an attempt to "emphasize the freshness of our product," says Altobello. "Production is right where service is, so a person sees it being prepared and says, 'Oh, it's not another wrapped sandwich, it's got to be fresher.'"

"We put the kitchen on display at Fresh Express to show our chefs at work with the best ingredients," says Kenneth Smith, Host's vice president of planning and business development. "And we revitalized our menu with such items as made-to-order salads, just-squeezed juices, pizzas, pastas with gourmet sauces, and freshly baked desserts."

Fresh Express can be designed as a full restaurant, at larger airports, and as mobile or fixed stands built into lounges and bars at smaller ones.

The concept was tested in San Francisco, Honolulu, Seattle, and Las Vegas early last year. Another is scheduled for Newark, NJ, early this year. "Our ongoing employee training programs are designed to encourage a strong commitment to quality service as well as quality foods," Smith adds.

ON THE ROAD. Marriott's Travel Plaza/Hot Shoppes division is headed by executive vice president and general manager Steven R. Leipsner. Marriott operates 100 Travel Plazas, rest stops along the nation's toll roads that feature, in various combinations, fast-food restaurants (including Roy Rogers, Popeyes, Burger King, and Dairy Queen), Sbarro Italian restaurants, coffee shops, gift shops, and vending.

Leipsner says toll-road business has been bolstered by the declining dollar and a reluctance to travel abroad due to terrorism. The division's goal is to "learn how to get more frequency out of the user, to use us rather than going off the road to eat. We've reached the end of external growth. From here on in, growth will be internal."

Much like Knox in the Education division, Leipsner has learned that the properties could not continue to operate under the assumption that its customers were a captive audience, as had been done when the Travel Plazas were part of the contract division (they now fall under the Restaurants division banner).

"I wanted to bring them into the

Daniel J. Altobello, exec. v.p.

freestanding restaurant concept. It's not a captive-audience business. We've got to make these facilities destination places, or at least able to compete with 'off-ramp places.'" Fast-food combination units no longer bear the Marriott name, he says, "because it's generally brand recognition we're looking for." Leipsner says the great majority of toll roads in the U.S. lie in the East. He plans to open another 20 to 25 Travel Plazas during 1988, and keep unit expansion at 20% per year.

Marriott has also converted its Bob's Big Boy and Howard Johnson coffee shops to HJ's units. The full-service units are open 24 hours, feature a breakfast bar, seat 175, and have a check average under $10.

Marriott began decades ago as a Hot Shoppe. Its once expanding chain of Hot Shoppe restaurants has waned, however, and the company now operates only 16 units: 11 cafeterias and five full-service restaurants, all in the Washington, DC, market. "The market has changed," Leipsner says. "Between the coffee-shop segment and fast food taking the country by storm, it was not one of the concepts conceived as a growth vehicle."

MARKET SEGMENT REPORT

BREAKFAST

Although no longer showing the same momentum, this market still holds great potential.

BY JAMES SCARPA

The breakfast bull market is over. "After several years of dramatic growth, the breakfast market fell flat in 1986, posting a 1.9% decline in total customer counts," said Jim Peterson, vice president of the Washington, DC-based National Restaurant Association, at a press conference revealing the NRA's 1988 annual economic forecast.

Until recently, breakfast was gathering momentum. For the years 1983 to 1985, it was the daypart with the fastest growth in consumer demand, according to a CREST Report of Park Ridge, IL-based NPD Research. In 1985, the breakfast market expanded by 20%.

PLENTY OF POTENTIAL. At present, breakfast is the least developed of the main meals at commercial restaurants, according to a report by the Chicago, IL-based International Foodservice Manufacturers Association (IFMA). Breakfast accounts for the lowest share of customer traffic, 13%. In addition, foodservice accounts for only 5%

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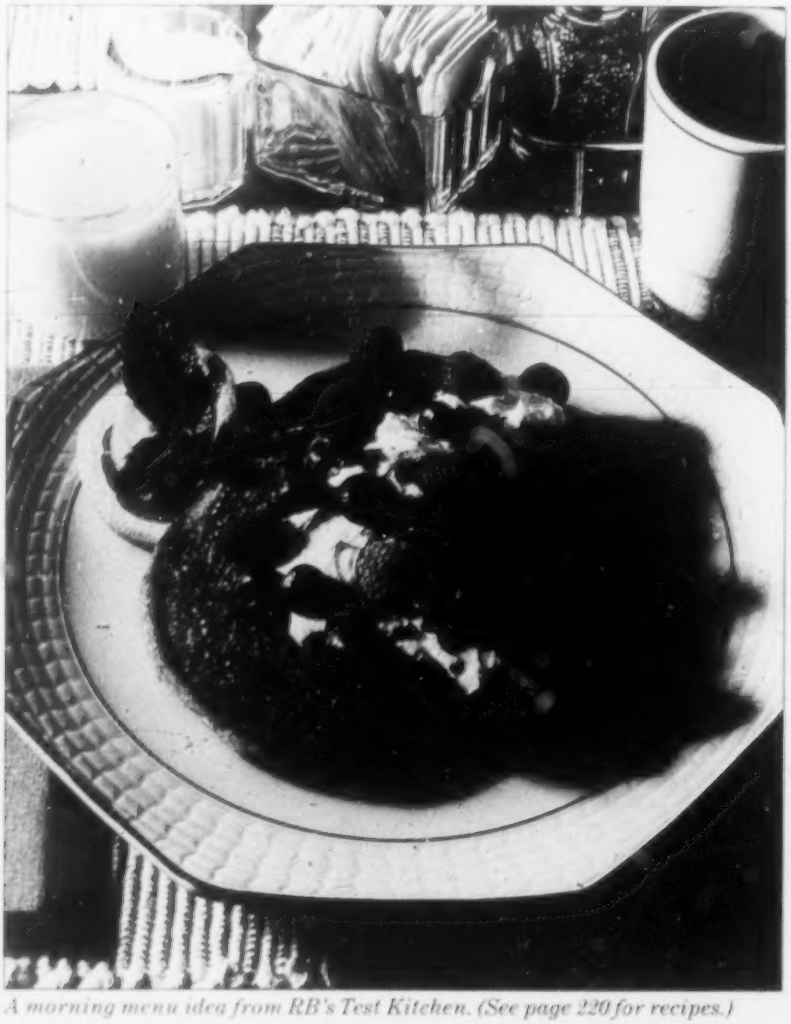
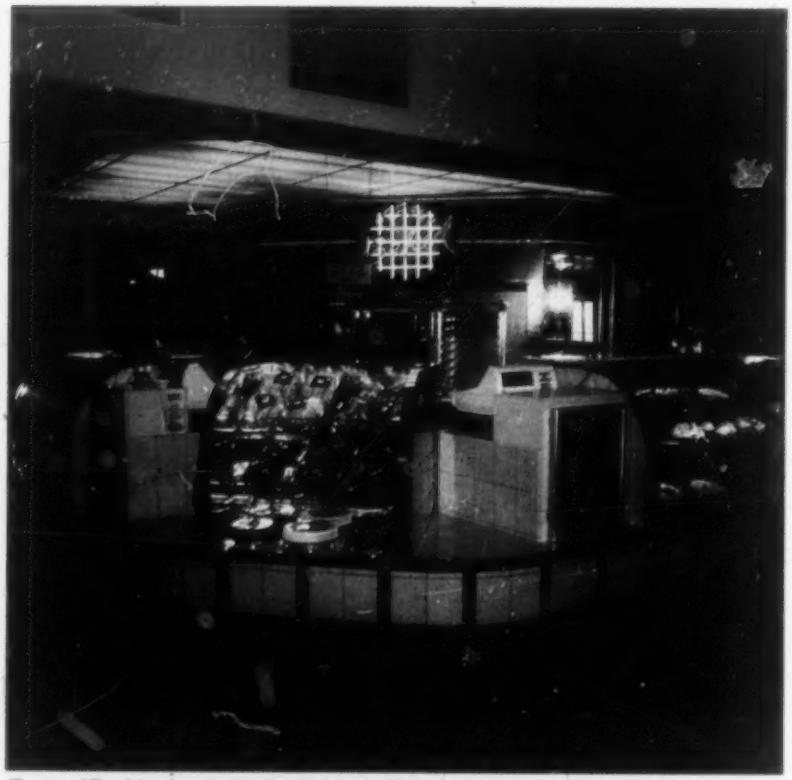


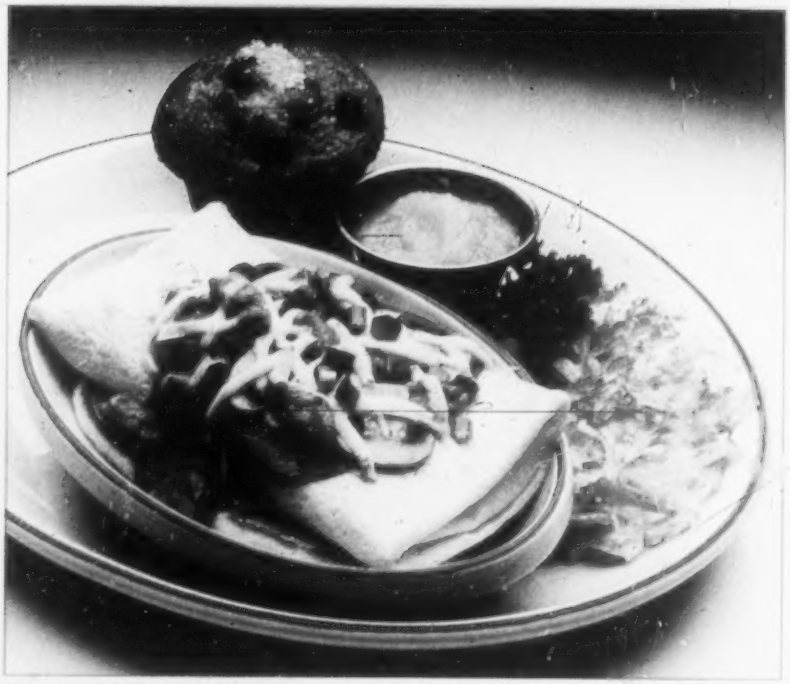
A morning menu idea from RB's Test Kitchen. (See page 220 for recipes.)

MARKET SEGMENT REPORT

BREAKFAST



Tests of Perkins' on-premise bakeries have been encouraging.



Perkins' Premium Omelettes are aimed at lunch and dinner sales as well.

of breakfast eating opportunities.

Why the downturn? The IFMA report suggests several factors. It cites a shortage of units offering breakfast, insufficient marketing of the daypart, and the failure of existing breakfast products and services to meet consumer needs.

Despite the declines, the breakfast daypart is still a significant opportunity for operators, IFMA states. It has proven highly responsive to marketing. However, in the midst of the breakfast rise, many chain marketers turned their resources to their primary products and meal occasions, resulting in a sharp drop in demand for restaurant breakfasts.

"I wouldn't disagree with the industry pundits," says Scott Diamond, co-owner of the two Dozens upscale breakfast-only restaurants in Denver. "Whatever the figures, there are sure an awful lot of people who want to carve up the breakfast pie, especially in this town."

On the other hand, Steve Pettise, vice president of marketing for North Hollywood, CA-based International House of Pancakes (IHOP), does not buy all the gloomy portents about the breakfast daypart. "Business may be more difficult to get," he says. "And in general it is spotty on a market-by-market basis. But I feel that breakfast will continue to grow on a long-term basis."

BRIGHT SPOTS. Of course, there were bright spots in the bearish daypart. Takeout, for example. "It's a virtual certainty that drive-thru service is helping to expand quick-service restaurant breakfast business," says George Rice, president of GDR/CREST Enterprises Inc.

"Takeout seems to be a prime opportunity for restaurants in the breakfast market," said Peterson in his NRA ad-

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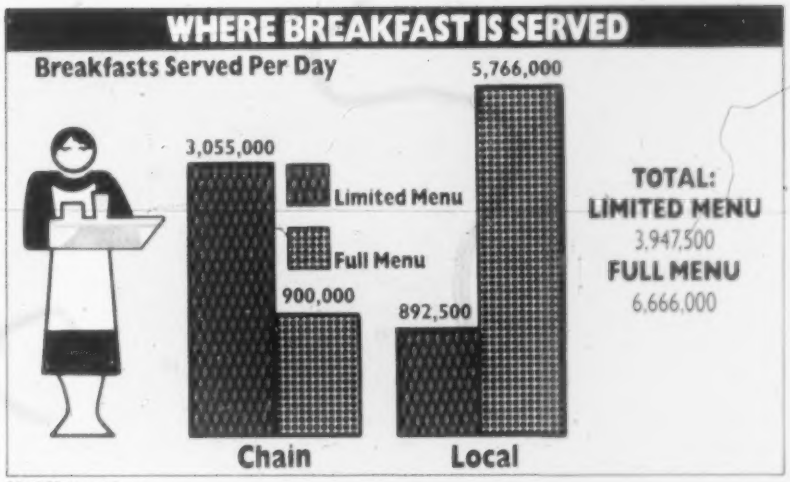
MARKET SEGMENT REPORT

BREAKFAST

Research indicates that more than 20 breakfasts are consumed at home for every one eaten in a restaurant.



SOURCE: Market Score

dress. "NPD research indicates that more than 20 breakfasts are consumed at home for every one that is eaten at a restaurant. So it is not surprising that takeout provided the only source of positive growth for the morning daypart."

Portability is a major factor in takeout growth. Breakfast sandwiches led the field in popularity, up more than a million individual units, according to CREST. Non-portable dishes with eggs, bacon, and sausage were among the losers, as was coffee. (See chart on page 204.)

Another breakfast bright spot was the retail category. Convenience store sales and traffic were up 20%, according to Rice. A number of fast-food operators voiced concern about the increasing threat of c-store competition.

FAST FARE FAIR. This was another year without a groundbreaking new menu item. Many companies marketed breakfast sandwiches utilizing customary breakfast foods wrapped in english muffins, biscuits, croissants, and even bagels, but no new item of an Egg McMuffin magnitude appeared.

The hamburger subcategory of quick-service restaurants continued to expand breakfast in 1986, but at a slower rate than in the past. According to Rice, it had about 2% average growth over four quarters.

Breakfast at the 3,800-unit Wendy's hamburger chain is "not on the front burner at present," says director of communications Denny Lynch. Priorities in 1988 for the troubled Dublin, OH-based burger giant "will be burgers and the SuperBar," he says.

The SuperBar, a hot and cold buffet, including pastas, salads, baked potatoes, and Mexican foods, increased average store sales 15% in a 300-unit test. In a few units, the SuperBar is being tested on weekends as a breakfast buffet, Lynch says. Among the dishes offered are scrambled eggs, breakfast meats, pancakes, biscuits, home fries, granola, and cinnamon rolls.

Nevertheless, Wendy's also says that an optional line of breakfast biscuits is being offered to its franchisees. After seeing McDonald's, Burger King, and the other burger players get a head start, Wendy's will finally have a signature portable item to merchandise in the grueling breakfast competition.

For some time, though, Chicago-area Wendy's have been offering a "Fast Break Breakfast," which includes egg, cheese, sausage, and bacon biscuits at $1.59 and $1.69.

Breakfast sounds a more positive note at Hardee's, the country's number-four burger chain. "We feel we're the leader in breakfast," says Jerry Singer, director of public relations for the 2,900-unit, Rocky Mount, NC-based company. "Our breakfast percentage is the highest in the fast-food business, in the 30s," he claims.

Hardee's California Raisins promotion during October "doubled or tripled breakfast volume in some markets," says Singer. Customers could purchase one of four California Raisin fig-

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MARKET SEGMENT REPORT

BREAKFAST

urines each week for 99¢ plus a required breakfast purchase.

BISCUITS BIG. Biscuits are big business at Hardee's. The company's trademarked biscuit selection is anchored by the buttermilk Rise and Shine biscuits and the glazed Cinnamon N' Raisin biscuit. Hardee's also has four biscuit sandwiches, led in popularity by the Canadian Sunrise biscuit, which contains egg, bacon, and Canadian bacon. Other biscuits sold are made with egg and sausage, ham, or steak.

"The success or failure of our breakfast depends on the biscuits," says Singer. "We emphasize training crew members to make them." In fact, two of Hardee's large franchisees, Spartan Food Systems of Spartanburg, SC, and Franchise Enterprises Inc., of Rocky Mount, NC, conduct bake-offs for the title of top biscuit cook.

Bagels are the news from 5,200-unit Miami, FL-based Burger King. Bagel sandwiches of egg and cheese with either ham, sausage, or bacon, and a simple bagel with cream cheese are the new additions to the chain's breakfast menu, anchored by the Croissan'wich croissant breakfast sandwich line.

SANDWICH BREAD VARIETY. Jack in the Box, the 900-unit fast feeder operated and franchised by San Diego, CA-based Foodmaker Inc., may reach for incremental breakfast sales with a spinoff of a popular item in other dayparts. The Fajita Pita sandwich, rolled out in 1987 with initial sales of 11%, is the chain's most successful product introduction in company history, according to Charles Duddles, senior vice president. Now in test is a breakfast fajita sandwich, with scrambled eggs, beef, onions, and salsa, likely to be introduced in 1988.

Jack in the Box's breakfast program centers on its Crescent Breakfasts line of meat- and cheese-filled croissants. The company averages 10% to 15% of its business in breakfast. Breakfast sales over the past year are "stable to slightly declining," says vice president of product marketing Paul Hack. "Per-

QUAKER

Regular

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haps that's because we haven't supported it as much over the last year. But we still think breakfast is a real opportunity."

Breakfast at Charlotte, NC-based Bojangles Chicken & Biscuits is "usually in excess of 30% of sales, although it slid back a couple of points over the past year," says Tony Monzo, executive vice president of marketing. "We will probably go into a more concerted marketing effort aimed at recouping breakfast losses," he says.

Bojangles' major breakfast test last year was the "Bo to Go" breakfast combo. It featured a breakfast biscuit, bite-sized potato rounds, and coffee, all packaged in a spill-proof portable package at a slightly discounted $1.89. The company is "very excited" about Bo to Go for drive-thru customers, says Monzo. To make it feasible, the company must reduce a high packaging cost, he admits. Also in test is a biscuit with icing.

Breakfast presents decisions for the

continued on page 198

At the Hotel Inter-Continental Houston's Brasserie, a sit-down brunch includes a trip to the dessert bar.

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And they don't mind that your price appreciates with it.
Call Quaker for more ways to top it, and profit.

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*American Family Research, January, 1985. Campbell-Mithun, Inc. Research Department, Feb., 1985

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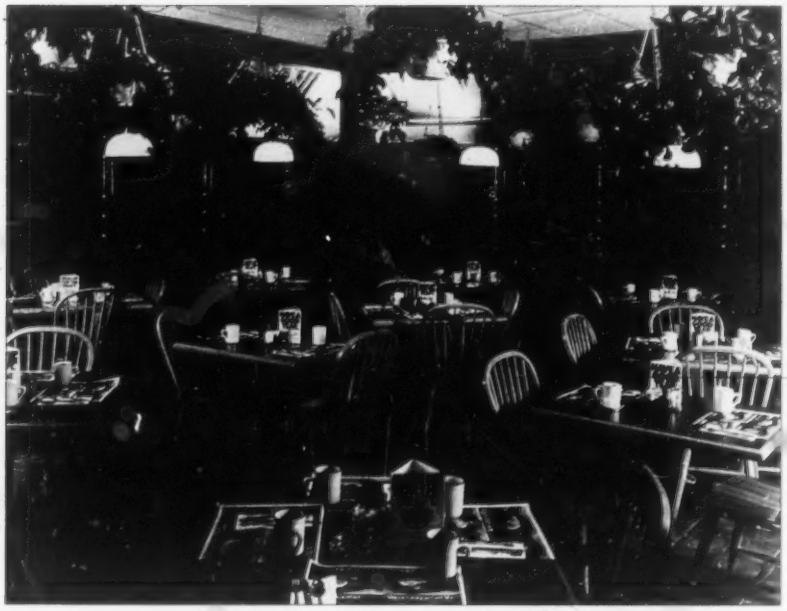
MARKET SEGMENT REPORT

BREAKFAST



For Minneapolis, MN-based Country Kitchen restaurants, breakfast accounts for 40% of sales.

COUNTRY KITCHEN MORNING SAMPLER

SKILLET BREAKFASTS

Farm Skillet	$3.75
Double-Up Skillet	$3.75
Southern Skillet	$3.75
Skillet Scramble	$3.85

ANY TIME BREAKFASTS

Best Pancakes	$3.50
Cakes and Eggs	$3.10
French Toast	$3.75
Hungry Man's Breakfast	$4.95

COUNTRY OMELETS

Ham and Cheese	$4.10
Western	$3.95
Mushroom and Cheese	$3.75

75-unit Sisters Chicken & Biscuits, which was purchased from Wendy's in spring of 1987 by Westlake, OH-based Sis Corp., formerly a Sisters franchisee. "With our size, we have to decide whether to allocate our resources to establishing breakfast or our primary chicken business," says Bob Williams, director of marketing. Sisters does 11% of its sales in breakfast.

Sisters' 99¢ egg, cheese, and sausage or bacon biscuit sandwiches are a natural offshoot of the chicken-and-biscuit concept, says Williams. Nevertheless, the company is currently test marketing english muffin breakfast sandwiches as a potentially less crumbly carrier. With 60% of its breakfast sales generated from drive-thru, Sisters has a stake in making its breakfast sandwiches as easy to handle as possible.

Another chicken operator, 200-unit Lewisville, TX-based Grandy's, has a focus "that differs from mainline fast-food thinking," says Bob Lee, vice president of marketing. Although the company has drive-thrus and portable biscuit sandwiches, it prefers dine-in promotions. Last year's successful Breakfast Club traffic builder, which may be repeated, offered a Grandy's coffee mug for 99¢ to customers who purchased a standard breakfast plate. With that they could get 10¢ coffee refills in the mug "forever," says Lee. Customers also received a continuity card punched after each successive breakfast purchase, with the fifth breakfast free.

C-STORE SALES. Foodservice in convenience stores grew to more than $5 billion in 1986, according to the National Association of Convenience Stores, Alexandria, VA. Lured by the promise of higher gross profits from foodservice than retail groceries and gasoline, many c-store operators are seeking their slice of the meal-away-from-home market.

"I'm not sure c-stores have taken away share of breakfast from restaurants," says Bill Hale of The Hale Group, management consultants in Danvers, MA. "But they are expanding the distribution of breakfast."

Breakfast makes sense for c-stores. "They have good locations, first of all," says Tom Campbell of Plano, TX-based C-Store Concepts, consultants in c-store foodservice. "They have the morning traffic. They have more coffee business than do fast-food restau-

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MARKET SEGMENT REPORT

BREAKFAST

rants. Plus, they have practically every product for the customer."

C-stores have long merchandised their own low-labor, quick-service take-out items, such as packaged sandwiches and microwaveable burritos. However, c-store foodservice suffers from a consumer perception of low quality.

JOINT VENTURES. Joint ventures with fast feeders are one solution for the image problem. Brand-name restaurant foods reflect highly on the c-store and bring in a share of profits. For their efforts, restaurant chains gain distribution with less expense than acquiring real estate entails.

Dallas, TX-based 7-Eleven, the industry's leading c-store chain, and the Hardee's hamburger chain have shelved indefinitely a joint-venture test of breakfast sandwiches and burgers. However, officials from both companies stressed that the decision was mutual and that they would not rule out future collaboration.

The joint test put scaled-down Hardee's fast-food operations inside several 7-Eleven stores in the St. Louis market. However, 7-Eleven ended the test because of retrenching strategy forced by the more than $4 billion debt accrued in parent Southland's leveraged buyout.

However, 8,200-unit 7-Eleven continues to merchandise its own sausage and egg biscuit sandwiches, mainly in West Coast stores, says spokesperson Don Cowan.

In a more positive joint venture, 7-Eleven is implementing Dunkin' Donuts products in East Coast stores and Winchell's Donuts in the West, says Cowan. The donuts are delivered fresh once or twice daily and merchandised from display cases.

Phoenix-based Circle K convenience stores, the 3,600-unit, number-two c-store player, considered several donut companies before linking up with Dunkin' Donuts in a joint venture.

Circle K expects by February 1988 to have approximately 500 units merchandising Dunkin' Donuts with spe-

QUAKER

Advise

cially installed display cases and exterior signage, says Steve Schwitalla, senior vice president for foodservice. Donuts are delivered and pulled twice daily by the local Dunkin' Donuts franchisee. Each unit will serve 10 to 15 Circle Ks. Schwitalla anticipates 1,000 stores will be equipped by early summer. "The stores average sales of $50 to $100 per day in new business," he says. "People are buying the donuts by the dozen."

MAJOR PUSH. "I'm anticipating a good year in breakfast overall," says Schwitalla. Circle K marketing will continue promoting brand-name ingredients in prepared foods, such as the meats and cheese in its croissant, biscuit, and bun breakfast sandwiches. This year, there will be a major coffee sales push, utilizing two of the country's most popular consumer brands. "There's a great synergy between our coffee and donuts promotions," Schwitalla says.

"I would say that joint ventures will

continued on page 202

Breakfast-only concepts like Denver-based Le Peep place great emphasis on variety with a huge number of items.

Merchandise

Quaker® blends service-oriented people and success-proven merchandising into all our cereals. So if your breakfast needs a pick-me-up, call the Quaker team. We'll show you more ways to serve and sell cereal than you can shake a spoon at.

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For information circle number 293

MARKET SEGMENT REPORT

BREAKFAST

Biscuits are big business for Hardee's. Its most popular breakfast sandwich is the Canadian Sunrise.

not be the major trend in the c-store industry," says consultant Campbell. "Outside of the top 10 chains, you don't see much joint venture activity."

Joint ventures require splitting profits that the c-store operator can otherwise keep, Campbell says. A better option is to use "further-processed" foods. Ready-to-heat sandwiches or prefried donuts warmed and iced in the store require relatively little labor and equipment and are usually perceived as freshly made, he says.

The 59-unit Bowling Green, KY-based Jr. Food Stores c-store chain in Kentucky and Tennessee sells hot breakfast biscuit sandwiches in 22 of its 39 stores that have deli foodservice sections.

"We were looking for a low-labor, high-quality breakfast program," says Fred Barnett, head of foodservice marketing. "We were concerned about the labor shortage and the cost of remodeling equipment." Jr. Food uses precooked heat-and-serve bacon, sausage, country ham, and steak biscuits, which are heated in a convection oven and sold for $1.09 from a hot food merchandising case. "Breakfast as a whole accounts for 30% of our deli business," says Barnett.

FULL-SERVICE SEGMENTS. Breakfast lost ground in midscale and upscale restaurants in 1986, offsetting its growth in quick-service restaurants, according to CREST.

Midprice family-style restaurants are facing breakfast competition today from fast-food restaurants, convenience stores, and upscale breakfast-only concepts. Meanwhile, many of the chains that have pancake or coffee shop identities are now repositioning themselves to attract more dinner business.

Denny's, one of the leaders in breakfast promotion, is also trying to boost its dinner sales. But Denny's averages 20% of its sales in the breakfast daypart, so those promotions continue. Last summer, the 1,200-unit La Mirada, CA-based chain ran a weekday breakfast sale of eight discounted items, says Sue Henderson, vice president for advertising and promotion.

Building the dinner daypart is a priority for Minneapolis, MN-based Country Kitchen restaurants, a subsidiary of Carlson Companies. But the company will not forsake the daypart that brings in 40% of its sales to develop a "supper personality," says Allan Post,

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MARKET SEGMENT REPORT

BREAKFAST

Hardee's glazed Cinnamon N' Raisin biscuit is portable.

HAND-HELD A.M. FOODS WIN

Eatings (000's) at Breakfast and A.M. Snack
1986 vs. 1985
in an avg. 2-week period

GAINERS	
Breakfast Sandwich	+ 1137
Soft Drinks	791
Donuts/Sweet Rolls	+ 640
Pancakes/Waffles/French Toast	418
Cold Cereal	+ 131
LOSERS	
Coffee	- 3072
Eggs	1599
Tea	621
Milk	444
Bacon/Sausage	255
Juice	186

SOURCE: CREST

senior vice president of marketing.

So far, Country Kitchen has not announced any significant new rollouts to augment its popular Skillet Breakfasts introduced last year. However, it is running a January and February breakfast promotion entitled "$1.49 Takes the Cakes...Eggs and Bacon, Too," a discount-priced combination plate designed to be a cold-weather traffic-builder, says Post.

When it comes to packaging breakfast variations, few have been doing it longer or more successfully than North Hollywood, CA-based International House of Pancakes (IHOP). For more than 25 years and in over 450 units, IHOP has been a strong breakfast merchandiser.

PROMOTIONAL PENCHANT. Two IHOP promotions released last summer and continuing through 1988 illustrate the company's penchant for packaging pancakes with other breakfast fare. One, the Believe It or Nuts! breakfast, consists of a choice of two chocolate nut, banana nut, or pecan pancakes, along with two eggs and sausage or bacon, for about $2.49, depending on the market. Backed by imaginative creative ideas, media, and point-of-sale support, the promotion has raised breakfast business by as much as 15% in certain markets.

IHOP's Different Yolks for Different Folks promotion combines two eggs, two pieces of breakfast meat, hash browns, and choice of two pancakes or toast, priced from $1.99 to $2.79 in various markets. IHOP combos are a way of "mining the menu," says vice president of marketing Pettise. "They encourage the customer to try new items. Next time, hopefully he'll order from the menu."

Dayton, OH-based Ponderosa Inc. rolled out a company-wide breakfast buffet several years ago, but insufficient sales have caused it to be sharply scaled back. The former budget-steak house-turned-family restaurant currently offers the buffet in 100 of its 430 company-owned units and an indeterminate number of the 267 franchised Ponderosas, according to a spokesperson. Priced at $3.99, it includes the customary eggs and breakfast meats as well as biscuits, home fries, waffles, donuts, coffee cakes, fresh-baked muffins, and fruit.

"Breakfast is our heritage. We're not about to walk away from it," says Tom McNulty, director of marketing

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For more information on General Mills circle number 301 ➡

MARKET SEGMENT REPORT

BREAKFAST

services for Memphis, TN-based Perkins Family Restaurants, the revamped version of the old Perkins Pancake House. New to the Perkins repertoire of traditional omelets, egg platters, pancakes, and sandwiches are check-building Premium Omelettes that may appeal more to lunch and dinner appetites than breakfast. The line includes a Pizza omelet, a Seafood version with shrimp and snow crab, and an El Grande Mexican omelet with a flour tortilla and spicy pork, priced between $3.99 and $4.89.

PREMIUM SELLS. Premium Omelettes are served with pancakes or a fresh-baked muffin from Perkins' on-premise bakeries, which produce a variety of baked goods for both the menu and takeout. Buoyed by encouraging results in a year-long bakery test in 23 of the 113 company units, the company is offering the bakery to its 220 franchised stores, says McNulty.

Perkins' same-store sales increased 9.5% and its total revenues increased 34.7% for the first half of 1987 compared with the first half of 1986. Bakery sales, the menu revision, and a decor upgrade contributed significantly to the improved performance, McNulty said.

Bob Evans, the 180-unit, Columbus, OH-based family restaurant chain, has added four omelets to its line of "legendary breakfasts." New are bacon and cheese, ham and cheese, sausage and cheese, and a western omelet, all priced at $3.95. In a check-building move, the company has also introduced toppings for its hotcakes, french toast, and waffles, says Roger Williams, vice president of marketing. He hopes that customers will trade up from the customary stack of hotcakes with syrup, $1.50, to the deluxe blueberry- and strawberry-topped hotcakes with whipped topping, $2.60.

Po Folks, the 170-unit, Nashville, TN-based midscale family restaurant, is best known for its country-style catfish and fried chicken dinners. However, the chain became a breakfast player in spring 1987, seeking incremental sales to stem losses. By year's end, the

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IHOP MORNING MENU SAMPLER

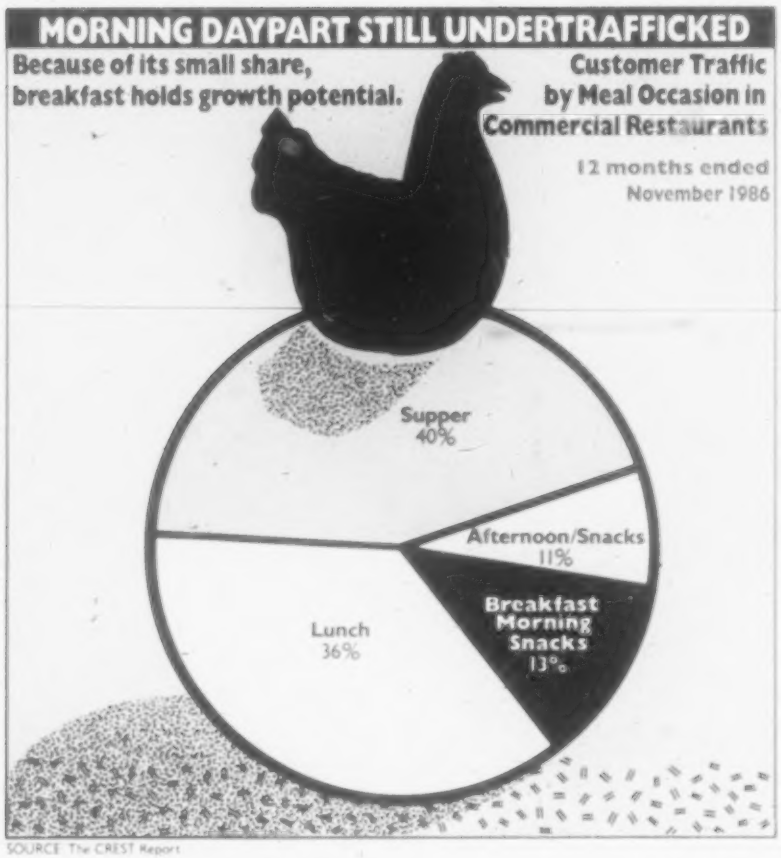
Buttermilk Pancakes	$2.69
Pancake Sandwich	$3.59
Blueberry Pancakes	$3.69
Pecan Pancakes	$3.69
Cheese Blintzes	$3.79
Intl. Passport Breakfast	$3.69
Egg Sandwich	$3.89
French Toast	$3.09
Intl. Omelet	$4.79
Seafood Omelet	$5.39
Eggs Benedict	$4.99
Golden Waffle	$2.59
Waffle Sandwich	$3.69
Two-Egg Breakfast	$3.89
Ham and Eggs	$4.09
Fruit Crepes	$3.79

IHOP's Believe It Or Nuts! promotion offers two nutty pancakes plus eggs and meat.

MARKET SEGMENT REPORT

BREAKFAST

Despite past growth, breakfast is the least developed of all restaurant meals, accounting for only 13% of traffic.


MORNING DAYPART STILL UNDERTRAFFICKED
Because of its small share, breakfast holds growth potential.
Customer Traffic by Meal Occasion in Commercial Restaurants
12 months ended November 1986
Supper 40%
Afternoon/Snacks 11%
Breakfast Morning Snacks 13%
Lunch 36%

SOURCE: The CREST Report

Country Morning Breakfast menu was rolled out in about 50% of units, according to Po Folks' marketing manager Mike McNeil.

Average breakfast checks are running $3.50, about $1 less than lunch and dinner, says McNeil. Featured are egg platters, omelets, and hotcakes, accompanied by home fries, grits, and the company's signature "biskets." Also menued are regional specialties served with eggs, such as Southern fried catfish, country fried steak, and a pork chop, each priced at $3.99.

"We don't want to be known for our breakfast," says McNeil. "We don't want it to cannibalize our lunch and dinner business. It's not as profitable a daypart."

The cafeteria segment has not traditionally been a breakfast player either. However, with the increased competition from salad bars and hot food buffets in other segments, cafeterias are searching more aggressively for incremental sales. Such is the case for the 118-unit, Dallas, TX-based Wyatt Cafeterias, which is testing a $2.99 breakfast in its high-volume Irving, TX, unit. Marketing director Debra Hand declined to elaborate on the tests, saying "this is very new territory for our company."

ONLY BREAKFAST. "It's very difficult to make your numbers work if you have a narrowly defined niche and a limited space," says consultant Bill Hale, voicing one side of the debate about upscale, breakfast-only restaurants.

Denver-based Le Peep, the leading upscale, breakfast-only restaurant chain with 43 units, is still in the red, but is undaunted and still looking into more expansion. The company has reduced its losses and increased revenues, however. For the nine months ended September 30, 1987, Le Peep reported a loss of $2.8 million, compared with a loss of $3.6 million for the same period in 1986. Revenues increased from $5.8 million to just under $10 million for the same period.

Chairman and CEO Allen J. Bernstein announced that the company had sold the rights to develop up to 199 franchised Le Peep restaurants throughout the country. Bernstein anticipates increasing bottom-line benefits from staff, overhead, and operating expense reductions.

Can breakfast-only restaurants achieve sufficient sales for return on

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MARKET SEGMENT REPORT

BREAKFAST

Weekend brunches, with their relatively high check averages, are a chance for staff to show off the staff's culinary talents.

The Washington Sheraton's Americus features a $19.95 buffet brunch that includes champagne.

investment? Yes, according to the experience of one of the oldest players. Sales volumes of the seven Omelette Parlors restaurants, located in California and Colorado, range from $600,000 to as much as $1 million with a check average of $5.25, says Jim Furry, president of Santa Monica, CA-based Grand American Fare Inc., operators of the 10-year-old concept. "We have a niche, and it's a winner," he says. The Omelette Parlors attract both business and occasion-oriented customers with their upscale decor and fun, offbeat menu. Sample selections include: "Schwarzenegger's Body Builder," a ham and Swiss omelet, $4.25; and the Gobbleberry sliced turkey sandwich, $3.75.

FIERCE COMPETITION. Competition is especially fierce for the small operator in Denver's flat economy, reports Scott Diamond, co-owner of the two Dozens upscale breakfast places. "You must bend over backwards to cut expenses and please customers," he says. The first Dozens, opened three years ago, does $500,000 in sales from 150 seats. The second, a year-old 50-seater, does only $250,000, but with a net "that can be very good," says Diamond.

Building the check average is one of the problems of the upscale breakfast segment, says Diamond. In order to boost its approximately $5 check, Dozens operates an in-house bakeshop which produces fresh-baked goods such as cinnamon rolls that are sold at a premium. It also promotes premium brand mimosas, bloody marys, and Ramos gin fizzes, most successfully on the weekends.

Breakfast is not a commonly exploited daypart in upscale restaurants. But the competition for incremental sales is leading more operators into weekend brunches based largely on breakfast foods.

BRUNCH A BUNCH. "When you start doing brunch, you open yourself up to lots of other competition," says executive chef Andy Revella of Dallas, TX-based S&A Restaurant Corp.'s 212-unit Bennigan's restaurants. "During the week, we compete with the fern bars. On Sundays, it's hotels with their lavish buffets. Right there we've quadrupled our competition."

Bennigan's serves a cooked-to-order "buffet brunch on a plate," says Revella. Variations on eggs Benedict and omelets are best sellers. Recent additions include a Philly steak Benedict

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MARKET SEGMENT REPORT

BREAKFAST

Po Folks' breakfast checks average $3.50. The meal includes egg platters and its signature "biskets."

PO FOLKS MORNING SAMPLER

Three-Egg Omelet	$2.29
Cheese Omelet	$2.69
Western Omelet	$3.79
PoFolks Omelet	$3.49
Country Fried Steak	$3.99
Pork Chop	$3.99
Catfish	$3.99
Fried Chicken	$3.79
Steak and Eggs	$4.99
Country Ham	$3.99
French Toast	$2.29
Pancakes	$2.49
Bisket and Gravy	$1.79
Little Folks Breakfast	99¢

and a Florentine Benedict with spinach. Sweet rolls and fresh fruit are included, with no main dish priced higher than $7.95.

Dick May is president of Kansas City, MO-based Gilbert/Robertson (G/R) Inc.'s 35-unit specialty restaurant division, which operates Fedora, Charley's, Bristol, Devon, and other cafe and bar and grill concepts. He reports that customer counts at Sunday brunch are growing, but not necessarily overall sales. "It's a tradeoff," he says. "People who come to brunch may be looking at it as an occasion that competes with weekend dinner."

G/R's brunches, which run $10.95 to $13.95, are keyed to regional tastes. For example, the Lt. Robert E. Lee riverboat restaurant in St. Louis offers a Dixieland Sunday buffet brunch that includes omelets made to order, seafood Creole, baked ham, and Southern items such as biscuits with country gravy, cheese grits, fried catfish, and hoppin' John (a traditional peas and rice dish). Designed for Northeastern tastes is the smoked salmon omelet at G/R's Cricket's restaurant in Boston's Faneuil Hall Marketplace, $6.75.

Down the hall at Gilbert/Robinson, Houlihan's president Fred Hipp reports that Sunday brunch customer counts have been slowly picking up. He feels that brunch will grow, but at a rate no faster than that of the whole meal-away-from-home market.

Houlihan's has been in the brunch business since 1972, Hipp says. Half of the company's 63 units offer full-service brunch, the other half offer a buffet, depending on local precedents. "If the hotels have set up the expectation that brunch is a buffet, then we have to follow," he says.

Like most brunches in this segment, Houlihan's is oriented towards breakfast, with the addition of carved ham or roast beef, averaging $7.95 to $8.95, depending on the geographic area.

The 192-unit, Irvine, CA-based El Torito Restaurants Inc. Mexican dinner-house group introduced the Mexican food brunch concept 25 years ago, says marketing director Tom Saiza. Featuring Mexican and American cuisines at $6.95 to $7.95, depending on the market, price/value is emphasized, especially in certain stores where kids eat for free. The brunch is also useful for testing new items, Saiza says.

In the luxury hotels and upscale restaurants, operators report that both

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For more information on Wisconsin Milk Marketing circle number 266 →

MARKET SEGMENT REPORT

BREAKFAST

In the retail category, c-store breakfast sales were up 20%. Joint ventures have proved profitable.

full-service brunches and buffet-style spreads have their advocates.

"People like to select their own portions. They like to serve themselves at their leisure," says food and beverage director Gary Sandstrom of the Sheraton Washington hotel. The Sheraton's Americus restaurant features a $19.95 buffet brunch, including champagne and a lavish pastry table.

In contrast, Houston's Hotel Inter-Continental's Brasserie Restaurant offers a "classic sit-down Sunday brunch," says food and beverage manager Thomas Fairbanks. "People want to be served. We want people to dine, not to eat—and the difference is service." This type of brunch also reflects a growing concern for eating in moderation, he says. Entrees priced from $11.50 to $15 also include an appetizer and a trip to the dessert table. Selections range from customary breakfast foods to a charbroiled mixed grill of beef, veal, lamb, and Nürnberger sausage. For $2.50 more, champagne or mimosas are included.

Sunday brunch at The 95th restaurant in Chicago, part of ARA Services' Fine Dining Division, is buffet-style. However, the dining room staff attends the tables, refolds napkins, and serves patrons on request, says regional vice president Christian De Vos. Selections from The 95th's seasonal American cooking menu include signature pâtés, terrines, and sausages, house-smoked fowl and seafood, and even house-cured olives. Also offered are fresh-baked goods, salads, caviars, omelets-to-order, carved meats, chafing dish entrees, and lavish desserts.

De Vos scoffs at the notion of precisely controlling buffet food costs. "You have to watch items like crab claws, caviar, and smoked salmon," he says. "It's good to have an attendant serve these items. But I believe when you do good work, the bottom line takes care of itself." Serving 300 covers on an average Sunday and many more on holiday weekends at $17.95 apiece, The 95th "is not losing any money on brunch," he says.

BAKESHOP CONCEPTS. Consumers who eschew a full breakfast may be tempted by specialty baked goods. Fresh-baked muffins, sweet rolls, and pastries are take-out items in demand for breakfast and morning snacks.

Into this niche the fast-growing specialty bakeshop concepts are advancing. The trend now is towards broader selections of baked goods, in contrast to the strict specialization of years past.

Even the Park City, UT-based Mrs. Fields, the dominant cookie chain with more than 400 stores, has more for breakfast than cookies and brownies. In downtown Chicago stores, the chain has introduced five varieties of Morning Muffins with the slogan, "Your morning fruit wrapped in a muffin."

The Chicago, IL-based All My Muffins company, which has units as far flung as Beverly Hills, CA, and Bloomingdale's in New York City, does 50% of its $250,000 to $400,000 volume in the morning, says vice president Paul

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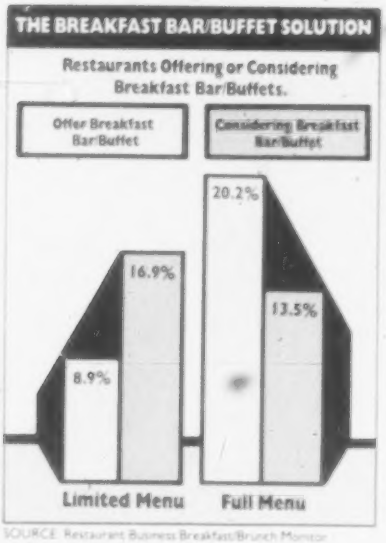


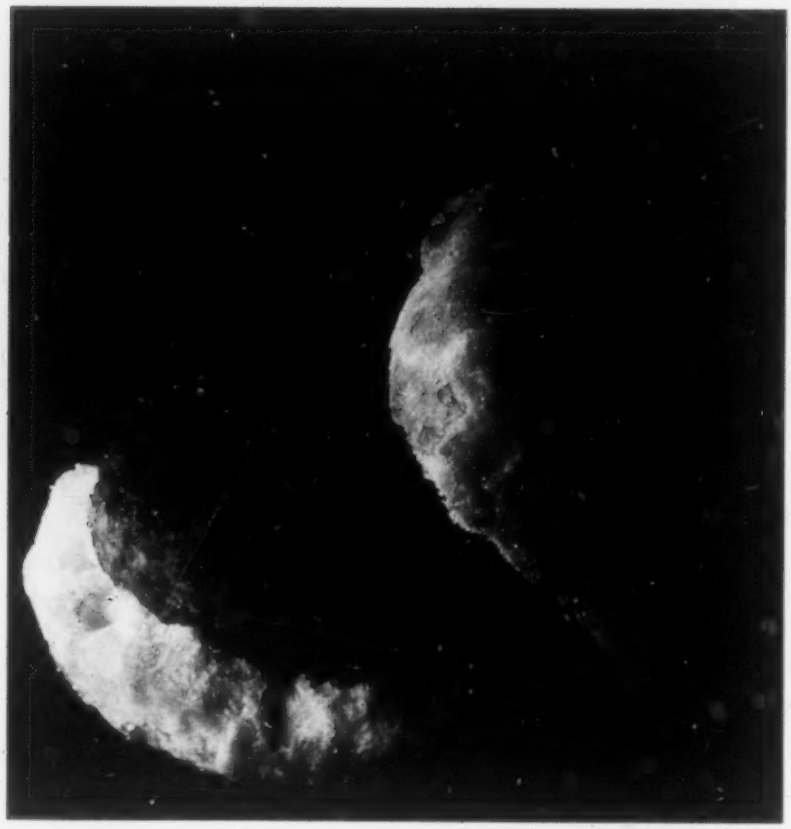
SOURCE: Restaurant Business Breakfast/Brunch Monitor

Morning buffets have service, sanitation, and cost challenges, but customers like them because of value and variety.

MARKET SEGMENT REPORT

BREAKFAST

Portable food items coupled with drive-thru and takeout are driving fast-food breakfast.



For the Sisters Chicken & Biscuits chain, 99¢ breakfast biscuit sandwiches are a natural.

Bernstein. The five-unit chain bakes 12 to 15 varieties daily from its repertoire of 250 different muffins. In addition, the company is also testing ham and cheese, turkey and cheese, and sausage and egg croissants as morning sales builders, Bernstein says.

T.J. Cinnamons Bakery, the Kansas City, MO-based market leader in cinnamon rolls with more than 120 units, continues to broaden its product line. In addition to the trademarked Original Gourmet Cinnamon Roll, it offers downsized Petite and Minni-Cinni cinnamon rolls, Cinnaloaf cinnamon-raisin bread, cinnamon pecan sticky buns, and raisin rolls.

"We compete more with croissant bakeries and such than restaurants," says president Kenneth Hill. "We don't see our morning business eroding. In our niche, we have business spread out in breakfast, morning snack, afternoon pick-me-up, and evening sales for the next day." The 10 company-owned stores in Kansas City do 22% of their business in the morning, he says. Three-quarters of all business is takeout.

Increasingly, busy executives and prominent people are regarding breakfast as a part of their working day. "Power breakfasting" in luxury hotels or fine restaurants offers them elegant atmospheres and distinctive menus for business meetings and entertainment.

State and city politicians, corporate execs, and newspaper and TV people are in the early crowd at La Tour restaurant in Chicago's Park Hyatt hotel, says general manager Wolfgang Triebnig. Weekday covers range from 40 to 70. Typical of power breakfasts, the menu is marked by upscale items and aggressive pricing. A sampling of menu items reveals fresh-squeezed orange juice, $3.25; poached eggs with corned beef hash, $7.50; lobster Benedict, $12.75; and a frittata of goat cheese and watercress, $8.50. "We also give you romantic ambience and a view of Chicago's historic Water Tower," says Triebnig. "It really adds to the experience."

Hopefully, restaurant operators will not be discouraged by the ups and downs of the breakfast market segment. There remains great potential for innovative menu items and promotions. The vast market of "brown baggers" and "breakfast skippers" promises great rewards if the restaurant industry can call them to breakfast.

IMMIGRATION LAW IMPACT

The Immigration Reform and Control Act threatens to be an administrative and enforcement headache for operators.

"The bear is not only at the door, he's crashing through," says Mo Sussman, co-owner of Joe and Mo's in Washington, DC. The "bear" is the Immigration Reform and Control Act (IRCA). The most sweeping immigration reform in decades, IRCA requires employers to verify that all employees hired since Nov. 6, 1986, are legally authorized to work in the U.S.

Although passed more than a year ago, IRCA's full impact is now beginning to affect hospitality-industry operators. As of the end of December, the Immigration and Naturalization Service (INS) had issued 933 warning citations for violations of the law. Fifty-nine percent of those citations were issued to service-industry employers, of which the majority are most likely restaurants and hotels. So far, 18 employers have received fines—four of those were hospitality businesses. This seems an almost disproportionate emphasis on the hospitality industry, since, as reported in a study by the Dallas Federal Reserve Bank, restaurants and hotels together employ less than one-tenth of the illegal aliens in the U.S. (see chart).

This is just the beginning. Starting in 1988, INS audits begin in full force. According to the first annual Government Accounting Office (GAO) report on the implementation of the law, INS plans to allocate $60 million during 1988 to target about 20,000 employers for compliance—a sizable budget increase from 1987. In addition, Department of Labor (DOL) officials, who visit 60,000 employers annually to enforce labor laws, will inspect employers' I-9 forms.

However, it is not just the audits and the fines that have restaurateurs concerned. IRCA has turned much of the responsibility of regulating illegal aliens over to employers, and operators simply do not like the idea of "policing" their employees. "The hospitality industry is already a highly regulated industry," maintains Tom Rouland, executive vice president of the Restaurant Association of Metropolitan Washington, DC (RAMW). "Now, we have an added form of regulation, and are being asked to be law enforcers as well."

ENFORCEMENT UPDATE. To be "enforcers" of the law, employers must understand and abide by the various facets of the law. First, they must verify that each employee hired after Nov. 6, 1986, is legally entitled to work in the U.S., and has filled out an I-9 form attesting to that fact. The new law also includes anti-discrimination provisions for employers of four or more.

Fines are levied according to the severity and repetition of violations, and can range from $250 to $2,500 for each illegal alien for the first hiring infraction to $3,000 to $10,000 per alien for more than two prior violations. Failing to comply with verification requirements will result in fines between $100 and $1,000 for each invalid or incomplete I-9 form. The most severe penalty is levied only after INS has established a "pattern and practice" of violation—$3,000 for each illegal alien and a possible six-month prison sentence.

Realizing that employers may have a hard time completely understanding the complex regulations of the law, INS will phase in its employer sanctions program until June 1, 1988. To encourage voluntary compliance, INS will generally follow a three-step process before penalizing employees. The first step is an "information visit" to explain the law and answer employer questions. If on a subsequent visit an agent finds an employer is violating the law, a warning will be issued. Employers found in violation after these two steps are undertaken will be fined. After June 1, violators will not have the luxury of warnings—penalties will be levied automatically.

As of December, four hospitality-industry businesses had been fined after at least two warning citations. One of the largest was levied against a Quality Inn hotel owned by Manor Care Inc. of Silver Spring, MD, which was initially penalized $16,500 for employing 11 illegal aliens—$1,000 for each illegal alien allegedly hired after Nov. 6, 1986, and an additional $500 for each incomplete I-9 form. After filing a notice of appeal, Manor Care entered into negotiations with INS. As a result, INS dropped three charges of illegal employment, lowered the employment penalty to $750 for each remaining illegal alien, and decreased the paperwork charge to $5,000, reducing the total fine to $11,000.

Even so, Michael Maggio, of Maggio & Katter, a Washington, DC, immigration law firm, says it was unfortunate the company had not gone to trial, because an administrative judge might have lowered the fine even more. Maggio points out that the company had several valid defenses against the charges, including the injury of three employees arrested during the INS raid and the fact that all of those arrested had either already applied for legalization, had received work certificates, or were mar-

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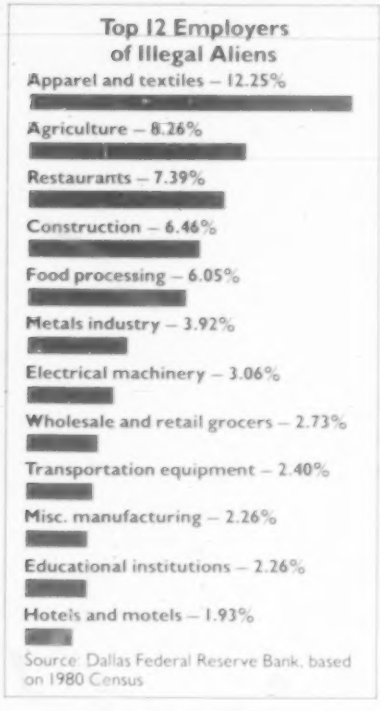
Top 12 Employers of Illegal Aliens
Apparel and textiles – 12.25%
Agriculture – 8.26%
Restaurants – 7.39%
Construction – 6.46%
Food processing – 6.05%
Metals industry – 3.92%
Electrical machinery – 3.06%
Wholesale and retail grocers – 2.73%
Transportation equipment – 2.40%
Misc. manufacturing – 2.26%
Educational institutions – 2.26%
Hotels and motels – 1.93%
Source: Dallas Federal Reserve Bank, based on 1980 Census

ried to legal residents of the country.

The penalty process can take months. For instance, Taco Cabana, a nine-unit Mexican fast-food chain based in San Antonio, TX, at press time was still waiting to hear whether or not it would be fined. In October, INS raided six of the company's restaurants, arresting 23 aliens and taking records of 693 other employees. Of the 23 arrested, only six had improper documentation. According to Patrick Thomas, in-house attorney for the firm, "The employees' documents appeared to be in order to us, but the government agents could tell they were falsified." Thomas suspects the INS may have been trying to make an example of the company.

"Unfortunately, as a well-known restaurant in the area, our flag was higher on the pole than anyone else's," he says. Thomas stresses that the company has spent numerous hours learning and implementing the regulations. "The paperwork load has been incredible," says Thomas. "And, this year we have opened several new units, which has entailed processing about 1,300 applications in nine months."

Although the most direct effects of the law on restaurants are, of course, the paperwork burden and the imposition of fines and criminal penalties, a more insidious effect is now being felt by many operators—the difficulty of filling entry-level positions. "Many restaurants in our area are having problems hiring and retaining entry-level employees," says Tom Rouland, of the RAMW. "Two factors are causing this situation—high employment levels in the area and the immigration policy." Rouland believes the situation will only get worse. "The impact of cutting off the flow of workers has long-range implications. If we are having trouble hiring people for entry-level positions today, where are the chefs and managers of tomorrow going to come from?"

According to Virginia L. Thomas, labor relations attorney for the U.S. Chamber of Commerce, many restaurant and hotel operators around the country are worried about employment shortages. "The majority of employment shortage complaints received by the chamber have been from hospitality-industry owners," she says.

For Jennie Pourferdowsi, manager of the New Orleans Cafe in Washington, DC, that concern will soon be a reality: "Next year we are planning to expand and will need 50 to 60 new employees. I don't know what we are going to do."

Many restaurateurs resent the law's implication that if they paid higher wages they could easily find staff members. "The perception that restaurateurs want to hire illegal aliens to pay them below minimum-wage salaries is absurd," maintains Mo Sussman. "We want, as always, to hire Americans, but most Americans just don't want to be dishwashers." In fact, many restaurateurs in the Washington, DC, area are paying dishwashers around $7 an hour, far above the $3.35 federal minimum wage. "Right now you couldn't hire a dishwasher for $10 an hour," asserts Pourferdowsi.

"Even if we did raise entry-level salaries much higher," adds Sussman, "pretty soon we'd be charging $14 for something like a club sandwich."

Rather than blaming entry-level salaries for the lack of willing employees, some restaurateurs point to the welfare system as the problem. "Many welfare checks are higher than entry-level wages," notes Rouland. "That's a real disincentive for an entry-level job."

Concerned that today's employee shortage will turn into tomorrow's crisis, several Washington, DC, area restaurateurs have formed a coalition with other industry workers, such as construction workers, landscapers, and parking attendants, to fight for legislative reforms. Early in December the group met with Rep. Romano Mazzoli (D-KY), one of the sponsors of IRCA, to discuss possible solutions. One of the most feasible ideas is to develop a "Legal Immigration" bill that would raise the ceilings on the number of aliens allowed into the country. Along with raising the numbers, the legislation would separate family and work visas. Right now, family members, even if nonworking, are counted against total available visas. Sen. Edward Kennedy (D-MA) introduced such an idea in August. His S1611 would amend the Immigration and Nationality Act by increasing annual immigrant visas from 270,000 to 320,000 and separating the allocation for worker and family visas.

Although pleased that legislative efforts are underway, Rouland believes that more short-run solutions are needed now. "Legislative changes often take years to happen. What we need is immediate relief," he stresses.

According to David Nachtsheim, special assistant to the associate commissioner for enforcement, INS, some help may be on the way. Recognizing that some industries are having employment difficulties, INS may issue a technical change in early 1988 to loosen the verification requirements for teenagers. "We have had a lot of inquiries, particularly from restaurants, because they have had a tough time hiring workers," explains Nachtsheim. As of now, anyone over 16 years of age has to provide complete verification documents. If the regulation is loosened, teenagers under age 18 can use a school identification card or have their parents attest to their legal status. "This could be an important change for the hospitality industry," says Nachtsheim.

Until any technical or legislative changes become official, however, operators must deal with the law as it stands. Nachtsheim of the INS suggests that the best step an operator can take is to clearly explain hiring regulations when advertising or filling a position. "Because operators traditionally have high turnover," says Nachtsheim, "they need to establish a procedure for checking documents before hiring someone. The biggest problem employers face is to make a decision to hire someone, and then find out they don't have proper documents."